

# OWNERSHIP AND CONTROL PROFILE OF PHILIPPINE COMMERCIAL BANKS

Dr. Aurora Sanchez and Arlene Alonsagay

*This paper provides useful information and analysis of Philippine Commercial banks to serve as basis for better understanding of the character of operations of such financial institutions helpful in policy formulation towards maximizing their role in mobilizing savings and enhancing investments.*

*The authors conclude that the commercial banking sector is tightly controlled with significant interlocking directorates with other financial institutions resulting in direct influence on flow of credit. Further examination is needed as to the possible harm that can be done to the economy by this tight control situation in the commercial banking sector.*

## INTRODUCTION

For economic development to proceed smoothly, there must necessarily be an unconstrained flow of funds from savers to users of funds. The financial system serves the crucial role of mobilizing savings and channeling these to investment.

The importance of the financial sector in the process of development has been implicitly recognized in the Doherty study (1980) on who owns and controls the Philippine economy. Doherty identified those who own and control the Philippine economy by focusing his analysis on financial institutions, in general, and commercial banks, in particular. On the basis of his approach, Doherty found ten (10) groups (comprising 81 individuals), centered around a commercial bank, dominating the Philippine economy.

The study examines interlocking directorates between corporations and commercial banks. The phenomenon of interlocking directorates is a manifestation of the control influence that financial institutions exercise over the character of our economic progress.

Section 1 outlines and describes the Philippine financial system. Section 2 discusses the importance of commercial banking to the economy. Sections 3 and 4 examine the concentration of economic power and the nature of interlocking directorates in the commercial banking industry. Sections 5 and 6 look into the nationality and ethnicity profile and ownership and control structures of commercial banks. Finally, Section 7 concludes and summarizes the study.

## THE PHILIPPINE FINANCIAL SYSTEM

The financial system comprises several markets. The two major segments are 1) the money market which deals in short-term instruments, i.e., instruments with maturities of less than a year; and 2) the capital market which deals in long-term credit in the form of loans, bonds and stock issuance.

Various institutions comprise the financial system. These institutions can be classified broadly into two types: (1) the banking institutions composed of commercial banks, thrift banks, rural banks, and the specialized banks; and, (2) non-bank institutions which are classified further into non-bank financial institutions and non-bank thrift institutions. Under the former are investment houses, finance companies, investment companies, securities dealers/brokers, pawnshops, fund managers, lending investors, private insurance companies, and specialized non-banks; while under the latter are non-stock savings and loan associations and mutual building and loan associations.

The Philippine financial system is a network of institutions authorized by law to engage in the generation, circulation and control of money and credit. Chart 1 shows the structure of the Philippine Financial System. At the apex of the structure is the Central Bank that exercises regulatory power over the major institutions comprising the system. Banking institutions are all subject to the supervision of the Central Bank while non-bank financial intermediaries are supervised by the Securities and Exchange Commission and/or Central Bank depending on the operations (SGV, 1986).

Chart 1

THE PHILIPPINE FINANCIAL SYSTEM

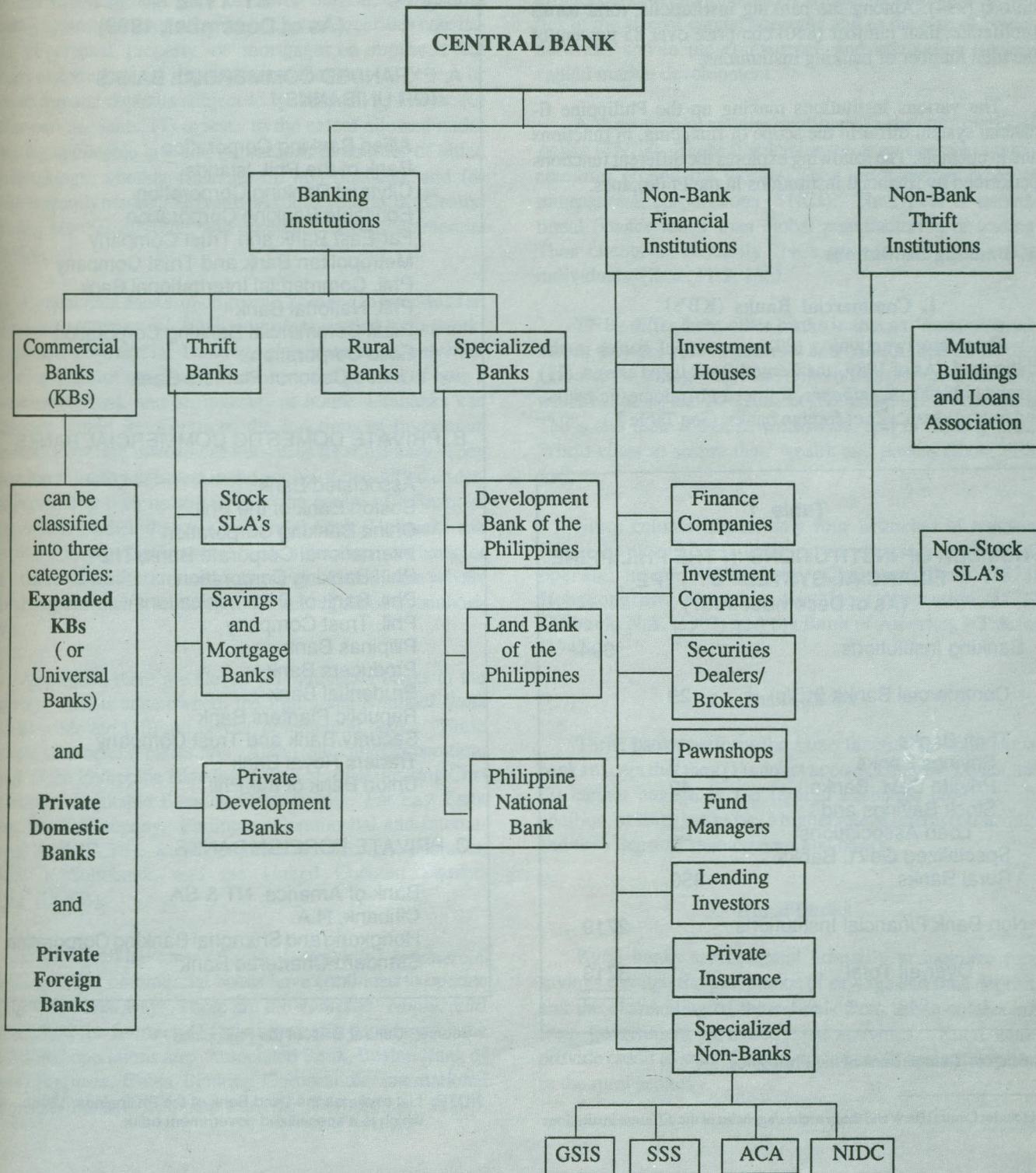


Table 1 presents the number of financial institutions, according to type, that make up the Philippine financial system. In number, though not necessarily in assets, non-bank financial institutions (2719) exceed the banking institutions (994). Among the banking institutions, rural banks proliferate, their number (850) comprise over 85 percent of the total number of banking institutions.

The various institutions making up the Philippine financial system differ in the scope of financing, in functions and in clientele. The following explores the different functions performed by financial institutions in the Philippines.

### A. Banking Institutions

#### 1. Commercial Banks (KB's)

There are twenty-nine (29) commercial banks in the Philippines. As of 1989, the Central Bank listed eleven (11) expanded banks or *unibanks*, fourteen (14) domestic banks, and four (4) branches of foreign banks. (See Table 2.)

Banking Institutions	994
Commercial Banks (KB's)	29
Thrift Banks	
Savings Banks	8
Private Devt. Banks	42
Stock Savings and Loan Associations	62
Specialized Gov't. Banks	3
Rural Banks	850
Non-Bank Financial Institutions	2719
Over-all Total	<u>3713</u>

Source: Central Bank of the Philippines

<sup>1</sup> Excludes Central Bank and the branches/agencies of the different institutions

**Table 2**  
**CLASSIFICATION OF COMMERCIAL BANKS,**  
**BY TYPE**  
(As of December, 1989)

#### A. EXPANDED COMMERCIAL BANKS (OR UNIBANKS)\*

Allied Banking Corporation  
Bank of the Phil. Islands  
Citytrust Banking Corporation  
Equitable Banking Corporation  
Far East Bank and Trust Company  
Metropolitan Bank and Trust Company  
Phil. Commercial International Bank  
Phil. National Bank  
Rizal Commercial Banking Corporation  
Solid Corporation  
United Coconut Planters Bank

#### B. PRIVATE DOMESTIC COMMERCIAL BANKS

Associated Bank  
Boston Bank of the Phil.  
China Banking Corporation  
International Corporate Bank, The  
Phil. Banking Corporation  
Phil. Bank of Communications  
Phil. Trust Company  
Pilipinas Bank  
Producers Bank  
Prudential Bank  
Republic Planters Bank  
Security Bank and Trust Company  
Traders Royal Bank  
Union Bank of the Phil.

#### C. PRIVATE FOREIGN BANKS

Bank of America, NT & SA  
Citibank, N.A.  
Hongkong and Shanghai Banking Corporation  
Standard Chartered Bank

Source: Central Bank of the Philippines

NOTE: List excludes the Land Bank of the Philippines (LBP), which is a specialized government bank.

CB rules and regulations governing commercial banking empowers KB's to (1) accept drafts and issue letter of credit; (2) discount and negotiate promissory notes, drafts, bills of exchange, and other evidences of debts; (3) buy and sell foreign exchange and gold or silver bullion; (4) lending money against personal security or against securities consisting of personal property or mortgages on improved real estate and the insured improvements thereon; (5) accept or create demand deposits subject to withdrawal by check; (6) offer new accounts; (7) invest, to the extent allowed under existing applicable law and regulations in equities of allied undertakings, whether financial or non-financial, and (8) acquire readily marketable bonds and other securities (Central Bank's Manual of Rules and Regulations on Commercial Banks).

Commercial banks, once given a license can operate as an *expanded commercial bank*, commonly called a *'unibank'*. Expanded commercial banking, also known as *universal banking*, enables a unibank to exercise the powers of both a commercial bank and an investment house. Unibanks can integrate within its operations the functions of investment houses or operate investment houses as its subsidiary. They have the authority to invest in the equity of non-allied undertakings and to own up to 100% of the equity of a financial intermediary other than a commercial bank. Unibanks can acquire a savings bank, a rural bank, a development bank, or any financial institution, and it can invest directly in a private company to which it lends up to a limit regulated by authorities.

At present, there are eleven (11) universal banks in the country. One is state-owned, the *Philippine National Bank* (PNB) while ten (10) are private commercial banks. These private commercial banks are: Allied Banking Corporation, Bank of the Philippine Islands (BPI), Citytrust Banking Corporation, Equitable Banking Corporation, Far East Bank and Trust Company, Philippine Commercial and International Bank (PCIB), Rizal Commercial Banking Corporation (RCBC), Solidbank, and the United Coconut Planters Bank (UCPB).

While others have moved towards *expanded commercial banking*, other commercial banks have continued to operate in the traditional way. These are the *domestic commercial banks*, and the fourteen (14) that have not gone beyond the traditional operations are: Associated Bank, Boston Bank of the Philippines, China Banking Corporation, International Corporate Bank, Philippine Banking Corporation, Philip-

pine Bank of Communications, Philippine Trust Company, Pilipinas Bank, Producers Bank, Prudential Bank, Republic Planters Bank, Security Bank and Trust Company, Traders Royal Bank, and Union Bank of the Philippines. A basic difference between a *unibank* and a *domestic commercial bank* lies in the size of capital accounts and in the size of branch networks and in the competence and orientation towards capital market development.

A third type of commercial bank is the *transnational banks* (TNBs). These financial institutions operate in many countries around the world. They are a special breed of transnational corporations (TNCs). Their field is international finance rather than global manufacturing or trading. Their clients are primarily TNCs, government and wealthy individuals (Ibon, PFS, 136).

TNBs differ from other banks in that as *'transnational'* banks, they are able to generate and control their funds on a global scale, thus giving them tremendous powers in deciding which economy and government gets bailed out; in supporting TNCs and their activities worldwide; and in helping Third World elites to secure their wealth and power. (Ibon, PFS, 136)

Since colonial times, only four branches of transnational banks (TNBs) have operated (and continue to operate) in the Philippines: Chartered Bank (1873), Hongkong and Shanghai Banking Corporation (1875), Citibank, N.A. (1902) and the Bank of America, NT & SA (1947).

## 2. Thrift Banks

Thrift banks perform the same function as commercial banks except that they (1) cannot accept demand deposits, and (2) cannot engage in the foreign exchange business. In addition, savings banks pay a higher rate of interest on savings and time deposits than commercial banks.

## 3. Rural Banks

Rural banks are designed primarily to mobilize rural savings through the acceptance of savings and time deposits and the channelling of these funds from urban centers and from government to countryside activities. Rural banks provide credit to small farmers and to small-scale enterprises in the rural sector.

## B. Non-banking Institutions

### 1. Investment Houses

Investment houses are 'quasi-banks' or merchant banks. They behave like deposit-taking companies, borrowing funds for their own borrower's account through the issuance, endorsement or acceptance of debt instruments. They were set up with the purpose of developing the capital market in the Philippines. An investment house's main function is to sell the shares of stock of companies to the buying public (this is called underwriting); however, they end up actively engaged in the short-term money market.

Most investment houses are owned by, or are related to, both domestic and foreign commercial banks and other types of financial institutions.

### 2. Finance Companies

Finance companies are corporations or partnerships set up to help distributors of motor vehicles, home appliances, business machines and heavy equipment push their installment sales. Finance companies have grown because of the inability of commercial banks to provide consumer financing.

The linkage of finance companies with banks put them in a highly favorable position — it gives them access to financing others do not have. (Doherty, 1982, p.10)

### 3. Insurance Companies

Insurance companies hold a large pool of money in the form of insurance payments as cover for death, retirement, sickness, and the like. Millions of pesos are collected on premiums annually, and between collections and payments of claims to beneficiaries or insured groups, the time lag is generally many years (Doherty, 1982, p. 11). This time lag allows insurance companies to make good use of collections for investment purposes. Insurance companies may invest in any industry even in real estate. The only restriction is that investments in bonds and company liabilities cannot exceed 25 percent of the insurance company's total admitted assets; there are no restrictions on investing in family-owned companies.

## IMPORTANCE OF COMMERCIAL BANKING

Commercial banks dominate the Philippine financial system accounting for 72.2 per cent of the financial system's

total assets in 1987; non-banks, put together, accounted for merely 27.8 per cent. Between 1983 and 1987, commercial banks' share in total financial assets have increased from 65.6 per cent in 1983 to 72.2 per cent in 1987.

Unibanks account largely for the total assets of commercial banks — 65.92 per cent of the total assets of the 29 commercial banks amounting to ₱238.7B as of the end of December 1987 is accounted for by unibanks. Domestic commercial banks account for 22.38 per cent of total assets, and private foreign banks, 11.7 per cent. (See Table 3.)

The function performed by commercial banks is vital for the proper workings of the economy. By relending deposits, commercial banks create money and through money creation affect investment. Through the handling of trust businesses, investing money entrusted to them by clients, commercial banks influence the level and direction of investment. Commercial banks have the sole privilege of handling foreign exchange transactions and thus, are in the strategic position in the furtherance of the country's trade in goods and services and in improving the country's capital account.

The size of the gross revenue generated by commercial banks is indicative of the substantial influence these entities exercise over the economy. For 1987, the top ten commercial banks generated a gross revenue totaling ₱18.23 billion, an amount 2.6 percent of the nation's GNP (₱703.36M) for the same year. (See table 4.)

Commercial banks loom large not only in the banking system but also in the whole of the financial system. In view of the importance of commercial banks both in terms of share in total financial assets and the functions they perform, commercial banks perform functions strategic to investment and affecting not only domestic but also international trade, a vital segment in an open economy such as the Philippines — this study focuses analysis on commercial banks.

## CONCENTRATION OF POWER IN COMMERCIAL BANKS

Commercial banks hold corporate securities and trust funds in their portfolios; and, they undertake deposit-taking activities. Together, these operations enable them to have billions of pesos of assets within their control. This control over large resources translates easily into economic power.

**Table 3**  
**TOTAL ASSETS OF THE COMMERCIAL BANKING SYSTEM BY TYPE OF BANKS**  
**As of 1987**  
**(In Million Pesos)**

Type of Banks	Total Assets	% to Total
<b>A. EXPANDED KB's (or UNIBANKS)</b>		
Philippine National Bank	31,268	13.10
Bank of the Philippine Island	20,671	8.66
Far East Bank and Trust Company	19,246	8.06
Metropolitan Bank and Trust Company	19,202	8.05
Phil. Commercial International Bank	17,151	7.19
United Coconut Planters Bank	13,976	5.86
Rizal Commercial Banking Corporation	8,221	3.44
Allied Banking Corporation	7,290	3.05
Solidbank Corporation	6,596	2.76
Citytrust Banking Corporation	6,867	2.88
Equitable Banking Corporation	6,826	2.66
Sub-total	157,314	65.92
<b>B. DOMESTIC COMMERCIAL BANKS</b>		
Prudential Bank	6,255	2.62
International Corporate Bank	5,208	2.18
China Banking Corporation	5,097	2.14
Union Bank of the Philippines	3,596	1.51
Security Bank and Trust Company	4,810	2.02
Traders Royal Bank	3,408	1.43
Republic Planters Bank	6,330	2.65
Phil. Bank of Communications	3,551	1.49
Phil. Banking Corporation	3,482	1.46
Phil. Trust Company	3,035	1.27
Boston Bank of the Phil.	1,750	0.73
Pilipinas Bank	1,596	0.67
Producers Bank	2,779	1.10
Associated Bank	2,509	1.05
Sub-total	53,406	22.38
<b>C. PRIVATE FOREIGN BANKS</b>		
Citibank, N.A.	9,981	4.18
Bank of America, NT and SN	10,963	4.59
Hongkong and Shanghai Banking Corp.	3,900	1.63
Standard Chartered Bank	3,088	1.29
Sub-total	27,932	11.70
<b>GRAND TOTAL</b>	<b>238,652</b>	<b>100.00</b>

Source: Central Bank of the Philippines, Philippine Financial System (Factbook), 1987.

**Table 4**  
**TOP TEN COMMERCIAL BANKS**  
**According to Gross Revenue**  
**(1987)**

Name	Gross Revenue
1. Philippine National Bank	3,298,100,000.00
2. Bank of the Philippine Islands	2,837,006,000.00
3. Citibank, N.A.	2,620,644,000.00
4. Far East Bank and Trust Company	1,915,191,000.00
5. Philippine Commercial International Bank	1,728,844,000.00
6. Metropolitan Bank and Trust Company	1,633,197,000.00
7. United Coconut Planters Bank	1,622,655,000.00
8. Bank of America, NT & SA	992,171,000.00
9. Rizal Commercial Banking Corporation	753,865,000.00
10. Allied Banking Corporation	727,861,000.00
TOTAL	18,229,734,000.00

Source: Based on listing of top 1000 corporations in 1987 consolidated from Center for Research and Communication (CRC), Securities and Exchange Commission (SEC), Business World and Mahal Kong Pilipinas list of top 1000 corporations.

All commercial banks except Producers Bank and Associated Bank belong to the top 1000 corporations (See Table 5.) All universal banks with the exception of Citytrust Banking Corporation and Equitable Banking Corporation which rank 109 and 111, respectively, belong to the top 1000 corporations. Domestic commercial banks, except Producers Bank and Associated Bank which are not among the top 1000, belong to the top 500 corporations. The four private foreign banks, too, are in the top 1000 list with Citibank, N.A. and Bank of America among the top 100 and the Hongkong and Shanghai Banking Corporation and Standard Chartered Bank among the top 500. These rankings indicate the large size of commercial banks in terms of revenue, the huge resources they have under their influence and the strong positions they hold in business activity.

Evidence point to a high concentration of economic power in the commercial banking industry; and there is

every indication that this concentration has risen over the 80's. The five largest private commercial banks accounted for 54.4 per cent of the private commercial bank's total assets in 1988; in 1982, this share was only 32.8 per cent (Tan, 1989). Tan (1989), using two alternative measures of concentration for the private domestic banking sector — the Herfindahl or H index and the Comprehensive Concentration Index (CCI), has noted a rather fast rate of concentration. The H index rose from 0.045 to 0.074 in 1982 to 1985, a 64 per cent increase in six (6) years; and the CCI index rose from 0.156 in 1982 to 0.247 in 1988. Thus, not only is the commercial banking industry large relative to the rest of the financial system, but more significantly, economic power within the industry is highly concentrated.

The analysis of interlocking directorates which follows serves to reinforce the observed high concentration in the commercial banking industry.

#### INTERLOCKING DIRECTORSHIPS

The simultaneous holding, by a director, of positions in the Board of several companies gives rise to an interlocking relationship between companies. A *Commercial Bank B* is interlocked with *Company A* if a bank director of *B*, at the same time, sits as director of *Company A*.

Interlocks among companies restricts competition inasmuch as interlocked companies do not behave independently of one another; their actions are coordinated making them interrelated establishments. Coordinated decision making among interlocked companies allows cartels and monopolies to be effectively established. Where interlockings are with competing companies in a single industry, a monopolistic industry structure results. An interlocking relationship between companies gives interlocked companies access to inside information which is not generally available to the public and which may be used for the exclusive benefit and profit of those privy to them. Subsequently, interlocking directorates enhances the concentration of power in an industry, and for this reason deserves examination.

A total of 1,348 director interlocks between commercial banks and business enterprises have been documented (See Table 6.) Unibanks account for 58.6 per cent of this total, domestic commercial banks, 41 per cent, and private commercial banks, 0.04 per cent.

On average, commercial banks have 52 interlockings.

Table 5

**LIST OF COMMERCIAL BANKS AND THEIR RANKING IN THE  
TOP 1000 CORPORATIONS IN 1987**

Name of Bank	Gross Revenue	Ranking in Top 1000	Percentage
1. Philippine National Bank	3,398,100,000.00	19	13.18
2. Bank of the Philippine Islands	2,837,006,000.00	21	11.00
3. Citibank, N.A.	2,620,644,000.00	22	10.16
4. Far East Bank and Trust Company	1,915,191,000.00	33	7.43
5. Philippine Commercial International Bank	1,728,844,000.00	39	6.70
6. Metropolitan Bank and Trust Company	1,633,197,000.00	41	6.33
7. United Coconut Planters Bank	1,622,855,000.00	42	6.29
8. Bank of America, NT & SA	992,171,000.00	62	3.85
9. Rizal Commercial Banking Corporation	753,865,000.00	86	2.92
10. Allied Banking Corporation	727,861,000.00	88	2.82
11. Solidbank Corporation	706,272,000.00	91	2.74
12. Citytrust Banking Corporation	669,894,000.00	104	2.60
13. Equitable Banking Corporation	636,338,000.00	111	2.47
14. Prudential Bank	623,609,000.00	117	2.42
15. Hongkong and Shanghai Banking Corp.	559,871,000.00	132	2.17
16. International Corporate Bank, The	534,656,000.00	137	2.07
17. China Banking Corporation	522,929,000.00	145	2.03
18. Union Bank of the Philippines	454,443,000.00	165	1.76
19. Security Bank and Trust Company	440,474,000.00	174	1.71
20. Traders Royal Bank	400,542,000.00	193	1.55
21. Republic Planters Bank	384,941,000.00	205	1.49
22. Philippine Bank of Communications	380,117,000.00	211	1.47
23. Philippine Banking Corporation	356,881,000.00	225	1.38
24. Philippine Trust Company	289,643,000.00	284	1.12
25. Boston Bank of the Philippines	221,015,000.00	380	0.86
26. Standard Chartered Bank	208,024,000.00	397	0.81
27. Pilipinas Bank	<u>165,908,000.00</u>	473	0.64
<b>TOTAL</b>	<u><u>25,785,291,000.00</u></u>		

Source: Based on listing of top 1000 corporations in 1987.

Note: Associated Bank and Producers Bank are not included among the top 1000 corporations.

On a per director basis, the number of interlockings averages 4.76, i.e. a commercial bank director holds, on average, about 5 directorships. The interlockings per director is highest for unibanks at 6.58 as against 4.35 and .139 for domestic commercial and private foreign banks, respectively.

The number of companies with which commercial banks are interlocked gives an indication of the commercial bank's span of control. Table 6 reports the number of companies a commercial bank is interlocked with. The 29 commercial banks have 1000 companies, spread over various sectors, under their sphere of control. Thirty two per cent of these companies (or 320) belong to the top 1000 corporations.

Expanded commercial banks have more companies that fall under their control influence compared to domestic commercial banks or private foreign banks. Unibanks are interlocked with 558 companies as against 437 for domestic commercial banks and 5 for private foreign banks. In terms of the number of companies in the top 1000 corporations with which a commercial bank is interlocked, unibanks again have the most number. One hundred ninety two (192) of the 558 companies with which universal banks are interlocked are in the top 1000. For domestic commercial banks, interlockings with companies in the top 1000 numbers 127, while for private foreign banks, the number is one (1).

The ratio obtained by dividing the number of interlockings by the number of companies with which a commercial bank is interlocked measures the tightness of the control influence of commercial banks. The ratio indicates the average number of interlockings a commercial bank has with other companies. Table 7 reports the tightness ratios and shows the following to have a relatively tighter control influence than the rest: Citytrust Banking Corporation; Allied Banking Corporation; Union Bank of the Philippines; Philippine Bank of Communications; Bank of the Philippine Islands; Philippine Commercial International Bank; United Coconut Planters Bank; Philippine Trust Company; Philippine National Bank; and Prudential Bank.

The sectoral distribution of director interlocks is shown in Table 7. Among the nine (9) sectors under consideration, the financial and manufacturing sectors have the most number of interlocks with commercial banks — 340 interlocks with financial institutions and 288 with companies engaged in manufacturing representing 34 and 29 per cent of the total, respectively.

The financial sector consists of five (5) subsectors namely: banking, business services, non-bank financial intermediaries, insurance, and real estate. Of the five subsectors, commercial banks are most heavily interlocked with the non-bank financial intermediaries (investment houses and finance companies) and the least with the banking subsector (See Table 8.)

The manufacturing sector comprises nine (9) subsectors, namely: basic metal; chemicals and chemical products; fabricated metal products; food, beverages and tobacco; non-metallic mineral; paper and paper products; textile and leather; wood and wood products; and, other manufacturing. Commercial bank interlocks with the food, beverages and tobacco industry is highest, a total of 82 interlocks with companies engaged in food, beverage and tobacco manufacture. The next highest interlocking is with companies in the chemicals and chemical products industry with a total of 58 interlocks.

Rizal Commercial Banking Corporation with 136 interlockings with 118 companies has the most number of *director* and *company* interlocks among all commercial banks and among unibanks. Among domestic commercial banks, Union Bank of the Philippines has the most number of *director interlocks* (109); while the International Corporate Bank and Traders Royal Bank have the most number of *company interlocks* (the former has 60 while the latter has 59 companies interlocked with it).

Table 9 shows the directors who hold the most number of directorships for each commercial bank. Included in the list are directors whose number of directorships held exceeded the average (5) for all commercial banks. Among the list are names of well-known business clans and business giants whose conglomerates are perhaps better served by linkages with financial institutions. As many as 84 directorships are held by one family (Aboitiz family), and one individual (Alfredo Ramos) holds as many as 43 directorships.

## NATIONALITY AND ETHNICITY PROFILE

Given the growing apprehension towards foreign encroachment on Philippine business, and the critical role of and high concentration of power in the commercial banking industry, the nationality and ethnicity profile of commercial banks is worth considering.

**Table 6**  
**DIRECTOR AND COMPANY INTERLOCKS**

Type of Banks	No. of Directors	No. of Companies w/ w/c it is Interlocked	No. of Interlocks w/ companies in Top 1000 Corps.	Total Number of Interlocks	No. of Interlocks Per Director	No. of Interlock Per Company
<b>A. EXPANDED KB's (or UNIBANKS)</b>						
Philippine National Bank	9	21	7	29	3.22	1.88
Bank of the Philippine Islands	15	52	27	92	6.13	1.77
Far East Bank and Trust Co.	15	78	27	106	2.07	1.36
Metropolitan Bank and Trust Company	11	59	19	100	9.09	1.69
Philippine Commercial Intl. Bank	8	39	12	46	5.75	1.18
United Coconut Planters Bank	11	18	9	27	2.45	1.50
Rizal Commercial Banking Corp.	11	118	37	136	12.36	1.15
Allied Banking Corporation	9	21	3	45	5.00	2.14
Solidbank Corporation	12	61	19	70	5.83	1.15
Citytrust Banking Corporation	10	27	12	72	7.20	2.67
Equitable Banking Corporation	9	64	20	67	7.44	1.05
Sub-total	120	558	192	790	6.50	1.42
<b>B. PRIVATE DOMESTIC COMMERCIAL BANKS</b>						
Prudential Bank	11	8	4	11	1.00	1.38
International Corporate Bank, The	9	60	15	71	7.89	1.18
China Banking Corporation	8	22	5	30	3.75	1.36
Union Bank of the Philippines	15	56	23	109	7.27	1.95
Security Bank and Trust Co.	11	50	11	54	4.91	1.08
Traders Royal Bank	12	59	19	63	5.25	1.07
Republic Planters Bank	10	51	7	53	5.30	1.04
Phil. Bank of Communications	8	25	10	47	5.88	1.88
Phil. Banking Corporation	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Phil. Trust Company	10	9	5	13	1.30	1.44
Boston Bank of the Philippines	6	37	12	37	6.17	1.00
Pilipinas Bank	19	14	5	14	0.74	1.00
Producers Bank	8	46	11	51	6.38	1.11
Associated Bank	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sub-total	127	437	127	553	4.35	1.27
<b>C. PRIVATE FOREIGN BANKS</b>						
Bank of America, NT & SA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Citibank N.A.	11	5	1	5	0.45	1.00
Hongkong and Shanghai Banking Corp.	8	0	0	0	0.00	0.00
Standard Chartered Bank	17	0	0	0	0.00	0.00
Sub-total	36	5	1	5	0.14	1.00
<b>GRAND TOTAL</b>	<b>283</b>	<b>1000</b>	<b>320</b>	<b>1340</b>	<b>4.76</b>	<b>1.35</b>

Source: Securities and Exchange Commission (SEC) records

Note: n.a. not available

Ranking based on consolidated listing of top 1000 corporations

Table 7

## DIRECTOR INTERLOCKS BY SECTOR

Type of Banks	Finance	Manufacturing	Wholesale & Retail Trade	Community Social & Related Service	Trans. Comm. and Storage	Agriculture Fishery and Forestry	Mining and Quarrying	Construction	Elect. Gas & H <sub>2</sub> O	Corps. Unclassified	Total
<b>A. EXPANDED KB's (or Unibanks)</b>											
Philippine National Bank	50	32	9	9	6	7	1	1	-	3	118
Bank of the Philippine Islands	25	23	16	1	-	7	3	-	1	2	78
Far East Bank and Trust Co.	21	19	14	1	2	1	2	2	1	1	64
Metropolitan Bank and Trust Co.	23	18	1	4	3	3	4	1	-	4	61
Philippine Commercial Intl. Bank	30	12	8	3	3	-	2	-	-	1	59
United Coconut Planters Bank	18	14	5	7	2	2	2	2	-	0	52
Rizal Commercial Banking Corp.	22	7	4	4	1	1	5	-	-	0	39
Allied Banking Corporation	12	9	-	1	-	-	-	-	-	0	27
Solidbank Corporation	7	7	3	-	1	2	-	1	-	0	21
Citytrust Banking Corporation	7	6	2	2	2	-	1	1	-	0	21
Equitable Banking Corporation	8	7	1	-	-	1	-	1	-	0	18
Sub-total	223	154	53	32	20	24	20	9	2	11	558
<b>B. PRIVATE DOMESTIC COMMERCIAL BANKS</b>											
Prudential Bank	14	22	8	6	7	-	-	-	1	1	59
International Corporate Bank, The	17	22	5	2	2	2	7	-	1	2	60
China Banking Corporation	9	16	5	5	9	5	1	1	3	2	56
Union Bank of the Philippines	11	14	8	2	2	3	8	1	-	1	50
Security Bank and Trust Co.	5	5	2	27	4	4	2	-	-	2	51
Traders Royal Bank	14	22	4	-	5	-	-	-	-	1	46
Republic Planters Bank	8	12	9	3	1	4	-	-	-	0	37
Phil. Bank of Communications	9	11	2	-	1	1	-	1	-	0	25
Phil. Banking Corporation	12	4	4	-	-	-	1	1	-	0	22
Phil. Trust Company	7	2	2	-	2	-	-	1	-	0	14
Boston Bank of the Philippines	3	3	1	-	2	-	-	-	-	0	9
Pilipinas Bank	3	1	2	-	2	-	-	-	-	0	8
Producers Bank	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Associated Bank	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Sub-total	112	134	52	45	37	19	19	5	5	9	437
<b>C. PRIVATE FOREIGN BANKS</b>											
Bank of America, NT & SA	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Citibank	5	-	-	-	-	-	-	-	-	0	5
Hongkong and Shanghai Banking Corp.	-	-	-	-	-	-	-	-	-	0	0
Standard Chartered Bank	-	-	-	-	-	-	-	-	-	0	0
Sub-total	5	0	0	0	0	0	0	0	0	0	5
<b>GRAND TOTAL</b>	<b>340</b>	<b>288</b>	<b>115</b>	<b>77</b>	<b>57</b>	<b>43</b>	<b>39</b>	<b>14</b>	<b>7</b>	<b>20</b>	<b>1,000</b>

Source : Securities and Exchange Commission (SEC) records

Notes: N.A. not available

— no interlocks occurred

M corporations herein could not be classified according to sector

Table 8

**DIRECTOR INTERLOCKS WITHIN THE  
FINANCE AND MANUFACTURING SECTORS**

Type of Banks	FINANCE					MANUFACTURING								
	Banking Institutions	Business Services	Non-Bank Financial Intermediaries	Insurance	Real Estate	Basic Metal Industries	Chemicals and Chem.	Fabricated Metal Products	Food, Beverages & Tobacco	Non-Metallic Mineral	Paper & Paper Products	Textile & Leather Industries	Wood & Wood Products	Other Mfg. Industries
<b>A. EXPANDED KB's (or UNIBANKS)</b>														
Rizal Commercial Banking Corporation	2	11	15	13	9	2	5	7	4	4	3	3	2	2
Far East Bank and Trust Company	2	3	9	6	5	-	2	1	9	6	3	2	-	-
Equitable Banking Corporation	1	5	5	4	6	-	9	3	5	-	1	1	-	-
Solidbank Corporation	1	3	7	4	8	2	1	-	3	2	2	9	-	-
Philippine Commercial Intl. Bank	2	8	12	5	3	1	3	-	7	1	-	1	-	-
Bank of the Philippine Islands	3	3	4	4	4	-	2	2	5	3	-	1	-	-
Metropolitan Bank and Trust Company	4	1	3	5	9	2	2	2	3	-	-	-	-	-
Citytrust Banking Corporation	-	2	6	1	3	-	3	1	1	-	1	1	1	-
Allied Banking Corporation	-	1	3	2	1	1	1	2	3	-	-	1	1	-
Philippine National Bank	-	3	2	-	2	-	2	1	3	-	-	-	-	-
United Coconut Planters Bank	2	2	-	3	1	-	1	-	6	-	-	-	-	-
Sub-Total	17	42	66	47	51	7	31	19	49	16	10	19	2	2
<b>B. PRIVATE DOMESTIC COMMERCIAL BANKS</b>														
Traders Royal Bank	4	5	3	1	1	1	3	1	9	1	4	2	2	1
International Corporate Bank, The	1	3	8	1	4	2	3	2	-	1	8	1	2	4
Union Bank of the Philippines	3	1	3	1	1	-	5	1	6	-	-	-	-	-
Security Bank and Trust Company	-	5	3	2	1	1	1	3	2	-	2	6	-	-
Republic Planters Bank	2	-	1	1	1	1	1	-	4	-	-	-	-	-
Producers Bank	-	2	6	1	5	-	7	2	2	1	1	8	-	1
Boston Bank of the Philippines	-	1	2	-	5	-	1	3	5	-	-	2	-	-
Phil. Bank of Communications	1	-	3	-	5	-	2	2	4	-	2	-	-	-
China Banking Corporation	1	2	3	-	6	-	2	-	1	-	-	1	-	-
Pilipinas Bank	3	3	-	1	-	-	1	-	-	-	-	1	-	-
Phil. Trust Company	-	1	-	2	-	-	1	-	-	-	2	-	-	-
Prudential Bank	1	-	1	-	1	-	-	-	-	1	-	-	-	-
Phil. Banking Corporation	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Associated Bank	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Sub-Total	16	23	33	10	30	5	27	14	33	4	19	21	4	6
<b>C. PRIVATE FOREIGN BANKS</b>														
Citibank N.A.	1	-	3	-	1	-	-	-	-	-	-	-	-	-
Hongkong and Shanghai Banking Corp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Standard Chartered Bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank of America, NT & SA	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Sub-Total	1	0	3	0	1	0	0	0	0	0	0	0	0	0
<b>GRAND TOTAL</b>	<b>34</b>	<b>65</b>	<b>102</b>	<b>57</b>	<b>82</b>	<b>12</b>	<b>58</b>	<b>33</b>	<b>82</b>	<b>20</b>	<b>29</b>	<b>40</b>	<b>6</b>	<b>8</b>

Source: Same as Table 7

Notes: N.A. - not available

- no interlocks occurred

**Table 9**  
**LIST OF DIRECTORS WITH OVER FIVE DIRECTORSHIP HELD**

Type of Banks	Name of Director/s	No. of Directorships/ Officerships Held (more than five)	Total
A. EXPANDED KB'S (or UNIBANKS)			
Rizal Commercial Banking Corporation	Siguion-Reyna Sr., Leonardo Del Rosario Jr., Ramon R. Yuchengco, Alfonso T. Babst, Chester G. Santos, Suzanne P Valdez, Simeon M.	39 23 20 19 10 10	123
Phil. Commercial International Bank	Ozaeta, Antonio H. Magadia, Renato B. Go, Johnson Robert Gokongwei, Jr., John Perez, Jose R. Lopez, Augusto Almeda Lopez Jr., Eugenio M.	19 17 14 13 13 12 7	35
Far East Bank and Trust Company	Hilado, Oscar J. Chuidian, Jose L. Sy Sr., Henry De los Reyes, Rodrigo Go, Henry L. Go, James L. Villanueva, Roberto T.	22 17 13 11 11 11 6	91
Solidbank Corporation	Tecson, Wilfrido C. Lim, Patricio L. Madrigal, Consuelo Rufino, Macario S. Madrigal, Jose P. Lim Ka Thong Ortigas III, Francisco	17 13 11 9 8 6 6	70
Bank of the Phil. Islands	Zobel de Ayala, Jaime P. Estrada, Ariston Dela Fuente, Renato L. Araneta, Benito R. Loinaz, Xavier P.	21 15 14 8 6	64
Citytrust Banking Corporation	Brimo, Henry A. Brimo, Gerald H. Facundo, Jose R. Jacinto Jr., Jesus A. Santiago, Danilo H.	15 11 9 8 7	50
Equitable Banking Corporation	Romulo, Ricardo J. Leong, Ricardo C. Go Pailian, Peter	31 11 8	50
Allied Banking Corporation	Tan, Lucio C. Tanenglian, Mariano Santos, Florencio T. Co, Willy S. Chua, Domingo T.	13 8 7 6 6	40
Metropolitan Bank and Trust Company	Go, James Chua, Gabriel Dolor, Soledad L. Mapa, Placido L.	12 8 6 6	32

Table 9 (Continued)

Type of Banks	Name of Director/s	No. of Directorships/ Officerships Held (more than five)	Total
United Coconut Planters Bank	Sy, Ramon Y. Herbosa, Enrique M.	14 9	23
Philippine National Bank	Santos, Dante G. Espiritu, Edgar P.	9 7	16
<b>B. PRIVATE DOMESTIC COMMERCIAL BANKS</b>			
Union Bank of the Philippines	Aboitiz, Jon Ramon M. Aboitiz, Erramon I. Barcelon, Augusto M. Aboitiz Jr., Luis M. Aboitiz, Roberto Eduardo M. Moraza, Manuel M.	22 21 16 14 11 9	93
International Corporate Bank	Ramos, Alfredo C. Henson, Antonio A. Velayo, Alfredo M.	43 9 8	60
Traders Royal Bank	Gonzales, Miguel V. Reyes, Eleazar B. Africa, Jose L. Dumlao Jr., Santiago F.	14 14 11 11	50
Republic Planters Bank	Dominguez, Carlos G. Yulo Jr., Arsenio B. Ledesma, Carlos	27 9 7	45
Security Bank and Trust Company	Ang, Philip T. Bengson Jr., Jose F.S. Lim, Eduardo C. Zamora Jr., Manuel B.	14 9 9 6	38
Producers Bank	Catindig, Tristan A.	38	38
Boston Bank of the Phil.	De los Reyes, Victoria C. Lim, Elena S.	19 11	30
Phil. Bank of Communications	Nubla, Maurice Chung Tiong Tay Nubla Jr., Ralph	10 9 6	25
China Banking Corporation	Sy, Hans T. Dee, Peter S.	10 9	19
Pilipinas Bank	Apacible, Tomas V.	7	7
Prudential Bank	—	—	—
Phil Trust Company	—	—	—
Phil. Banking Corporation	N.A.	N.A.	N.A.
Associated Bank	N.A.	N.A.	N.A.
<b>C. PRIVATE FOREIGN BANKS</b>			
Bank of America, NT & SA	N.A.	N.A.	N.A.
Citibank, N.A.	—	—	—
Hongkong and Shanghai Banking Corp.	—	—	—
Standard Chartered Bank	—	—	—

Source: Securities and Exchange Commission (SEC) records

Notes: N.A. not available

— no. of directorships/officerships held less than five (5)

The nationality of a commercial bank, or any corporation for that matter, is determined by the nationality of its major owners or stockholders. For corporations that are wholly-owned and majority-controlled by individuals, the nationality of the individual/s holding the majority of corporate shares determine corporate nationality. For corporations wholly-owned and majority-controlled by *another corporation*, nationality of the individual/s owning the majority of shares of the intermediate corporation/s determine corporate nationality.

There are three (3) dominant ethnic business groups in the Philippines namely: Filipino-Chinese, Filipino-Malay, or Filipino-Mestizo. Ethnicity of a corporation is according to these groupings and is determined in conjunction with the corporation's nationality profile of the 29 commercial banks operating in the country.<sup>2/</sup>

Of the 29 commercial banks, 23 are Filipino owned. Of these, 10 are majority owned by Filipino-Chinese, 5 by Filipino-Malays and 3 by Filipino-Mestizos. One commercial bank, the Philippine National Bank (PNB), is a government-owned and controlled corporation (GOCC). (See Table 10.) Besides PNB, the government holds substantial shares in four other banks, namely: Interbank (59.67% through Nat'l Dev't. Co.); Pilipinas Bank (85% through PNB); Union Bank, (39.39% through the Land Bank of the Phil. and 60.56% through the Social Security System); and Republic Planters Bank (84.74% through the Sugar Regulatory Adm. and 10.56% through the Asset Privatization Trust).

The ethnic group dominating universal banking is the Filipino-Chinese — 7 of the 11 universal banks (representing 64 % of total number of universal banks) is Filipino-Chinese in ethnicity. Filipino-Malays dominate the private domestic commercial banking sector — 5 out of the 8 privately held domestic commercial banks are Filipino-Malay in ethnicity.

Nine (9) out of 29 commercial banks have foreign affiliations as shown in Table 11. Prevalent of these affiliates are the American banks, namely J P Morgan Overseas Cap. Corp., Boston World Holdings Corp., Citibank N.A., Chemical Intl. Finance Ltd., and American Express Bank which have shares in 5 local banks. The Japanese affiliates are two Japanese banks, Sanwa Bank, Ltd. and Mitsui Bank, Ltd. that are among the world's ten largest banking companies. The former, with assets of \$ 348.4 billion, ranks fourth in the list compiled by American Banker, a daily newspaper based in New York. The latter ranks number nine (9) with assets of \$219.7 billion.

## OWNERSHIP AND CONTROL STRUCTURE OF COMMERCIAL BANKS

In a corporation, it is the Board of Directors that determines corporate policy and its direction and that manages corporate activities and appoints the corporate officers. Whoever has control over the Board of Directors, therefore, controls the corporation. Control over the Board is exercised through election, removal from office, and dictation as to policy direction. Since it is the stockholders or shareowners who have this so-called power, control of the corporation rests on them. But where there is a multiplicity of owners such that no substantial minority interest exists, control of the corporation is held by the director or titular managers. Such a separation of ownership and control is prevalent among quasi-public corporations.

The following discussion focuses on the ownership structure of commercial banks. Examination of the ownership structure will help to identify those with strong positions to wield control over the industry. (See Table 10.)

There are 24 Filipino families actively engaged in commercial banking — 14 are Filipino-Chinese; 6, Filipino-Malay; and 4, Filipino-Mestizos. Fifteen (15) families dominate the commercial banking industry. (See Table 12.) They are the Ayala family (Bank of the Philippine Islands); Dee family (China Banking Corporation); Sy family (China Banking Corporation) Brimo family (Citytrust Banking Corporation); Go family (Equitable Banking Corporation); Gokongwei family (Far East Bank & Trust Company and Philippine Commercial International Bank); Palanca family (Far East Bank & Trust Company); Ty family (Metropolitan Bank & Trust Company); Laurel family (Philippine Banking Corporation); Coyuki family (Philippine Trust Company); Santos family (Prudential Bank); Yuchengco family (Rizal Commercial Banking Corporation and China Bank); Madrigal family (Solid Bank and Citytrust banking Corp.); Cheng family (Phil. Bank of Communications); and Lopez family (Phil. Commercial International Bank).

Of the 15 families, 3 have dominant ownership in more than one bank. The Gokongwei family dominates (1) Far East Bank and Trust Company and (2) the Philippine Commercial International Bank. The Yuchengco family shares ownership of (1) Rizal Commercial Banking Corporation with Sanwa Bank, a foreign affiliate, and (2) China Banking Corporation with the Sycip and Dee families. The Madrigal family owns controlling shares of Solidbank Corporation

Table 10

## NATIONALITY AND ETHNICITY PROFILE OF COMMERCIAL BANKS

Type of Banks	Nationality	Ethnicity
<b>A. EXPANDED KB's (or UNIBANKS)</b>		
Philippine National Bank	Filipino	G.O.C.C.*
Bank of the Philippine Islands	Filipino	FM*
Far East Bank and Trust Company	Filipino	FC
Metropolitan Bank and Trust Company	Filipino	FC
Philippine Commercial Intl. Bank	Filipino	FC
United Coconut Planters Bank	Filipino	FC
Rizal Commercial Banking Corporation	Filipino	FC
Allied Banking Corporation	Filipino	FC
Solidbank Corporation	Filipino	FM*
Citytrust Banking Corporation	Filipino	FM*
Equitable Banking Corporation	Filipino	FC
<b>B. PRIVATE DOMESTIC COMMERCIAL BANKS</b>		
Prudential Bank	Filipino	FM*
International Corporate Bank, The	Filipino	#
China Banking Corporation	Filipino	FC
Union Bank of the Philippines	Filipino	#
Security Bank and Trust Company	Filipino	FMa
Traders Royal Bank	Filipino	FMa
Republic Planters Bank	Filipino	#
Phil. Bank of Communications	Filipino	FMa
Phil. Banking Corporation	Filipino	FMa
Phil. Trust Company	Filipino	FC
Boston Bank of the Philippines	Filipino	FC
Pilipinas Bank	Filipino	#
Producers Bank	N.R.	N.A.
Associated Bank	N.A.	N.A.
<b>C. PRIVATE FOREIGN BANKS</b>		
Bank of America, NT & SA	American	n.a.
Citibank N.A.	American	n.a.
Hongkong and Shanghai Banking Corp.	Hongkong	n.a.
Standard Chartered Bank	British	n.a.
	FC = 10	G.O.C.C. = 1
	FMa = 5	Foreign = 4
	FM* = 3	

Source: Securities and Exchange Commission (SEC) records

Notes: N.A. not available  
n.a. no applicable  
FC Filipino Chinese  
FMa Filipino Malay  
FM\* Filipino Mestizo  
◆ Government Owned and Controlled Corporation  
# biggest shareholders are government corporations

**Table 11**  
**COMMERCIAL BANKS AND THEIR FOREIGN AFFILIATIONS**

Name of Banks	Foreign Shareholders	%Owned	Nationality
Bank of the Philippine Islands *	J.P. Morgan Overseas Cap. Corp.	20.37	American
Boston Bank	Boston World Holding Corp.	40.00	American
China Banking Corporation	Intl. Commercial Bank of China	15.42	Chinese
Citytrust Banking Corporation	Citibank, N.A.	48.00	American
Far East Bank and Trust Company	Chemical International Finance, Ltd.	12.37	American
	The Mitsui Bank, Ltd.	12.37	Japanese
International Corporate Bank, The	American Express Bank	40.00	American
Solidbank Corporation	The Bank of Nova Scotia	52.00	Canadian
Rizal Commercial Banking Corporation	Finanze AG	32.49	Swiss
	The Sanwa Bank	10.83	Japanese
Traders Royal Bank	Royal Bank of Canada	27.53	Canadian
		American = 5	Chinese = 1
		Canadian = 2	Swiss = 1
		Japanese = 2	

Source: Securities and Exchange Commission (S.E.C.), '87-'88 General Information Sheets (GIS) of Comm

\*Only 1985 data is available.

Table 12

## DOMINANT OWNERS OF FILIPINO-OWNED PRIVATE COMMERCIAL BANKS

Type of Banks	Filipino Owners	Nationality
<b>A. EXPANDED KB's (or UNIBANKS)</b>		
Bank of the Philippine Islands	Ayala Group	FMe
Far East Bank and Trust Company	Gokongwei Group	FC
	Palanca Group	FC
Metropolitan Bank and Trust Company	Ty Group	FC
Philippine Commercial Intl. Bank	Gokongwei Group	FC
	Lopez Group	FMe
United Coconut Planters Bank	Eduardo Cojuangco	FC
Rizal Commercial Banking Corporation	Yuchengco Group	FC
Allied Banking Corporation	Lucio Tan	FC
Solidbank Corporation	Madrigal Group	FMe
Citytrust Banking Corporation	Brimo Group	FMe
	Madrigal Group	FMe
Equitable Banking Corporation	Go Group	FC
<b>B. PRIVATE DOMESTIC COMMERCIAL BANKS</b>		
Prudential Bank	Santos Group	FMa
China Banking Corporation	Dee Group	FC
	Sy Group	FC
	Yuchengco Group	FC
Security Bank and Trust Company	Manuel B. Zamora	FMa
	Willy S. Co	FC
Traders Royal Bank	Roberto S. Benedicto	FMa
Phil. Bank of Communications	Ralph Nubla Jr.	FMa
	Cheng Group	FC
Phil. Banking Corporation	Laurel Group	FMa
Phil. Trust Company	Coyukiat Group*	FC
Boston Bank of the Philippines	Uy, Domingo P.	FC
	Cabilao, Hermenegildo	FMa
	Lim, Elena S.	FC
Producers Bank	N.A.	N.A.
Associated Bank	N.A.	N.A.
		FC = 16
		FMa = 6
		FMe = 5

Source: Securities and Exchange Commission (S.E.C.), '87-'88 General Information Sheets (GIS) of commercial banks

Notes: N.A. not available  
 FC Filipino Chinese  
 FMe Filipino Mestizo  
 FMa Filipino Malay  
 ♦ the first four major stockholders have no latest available data

and holds shares in Citytrust Banking Corporation. Two of the three families who, by means of stock ownership, have control over more than one commercial bank are Filipino-Chinese.

In the Philippine commercial banking industry, control of commercial banks through ownership of majority shares is reinforced by dominant owners serving as directors in the Board of commercial banks. The Corporation Code of the Philippines prescribes that every director must own at least one share of the capital stock of the corporation of which he is a director. This regulation makes every director a part owner of the commercial bank where he sits as director. Where directors are also dominant owners, there is little doubt that control of the corporation lies in their hands.

Table 13 presents a measure of the degree of control shareholders exercise over the commercial banks they own. The degree of control is established with reference to share ownership and directorship and is measured by the sum of the scores for the two categories. For the ownership category, a score of 5 indicates that the owner is the most dominant; a 4, that he is the next dominant, etc. For the directorship category, a 5 denotes chairmanship of the board of directors; a 4, vice-chairmanship; and, a 3, board membership. The highest score attainable is 10. It suggests complete control of the corporation, the most dominant owner being at the same time chairman of the board of directors. The commercial banks with scores of 10 are: Bank of the Philippine Islands; Metropolitan Bank and Trust Company; Allied Banking Corporation; Solidbank Corporation; Citytrust Banking Corporation; Prudential Bank; Security Bank and Trust Company; and, Boston Bank of the Philippines.

## SUMMARY AND CONCLUSIONS

Banks perform functions critical to the development process. Commercial banks whose scope of operations extends beyond ordinary banking — they handle trust businesses, accept and create demand deposits and have the sole privilege of handling foreign exchange transactions — play the far more crucial role.

Commercial banking dominates the Philippine financial system accounting for a huge chunk of total financial assets (72.2% in 1987). Within commercial banking, unibanks loom in importance accounting for 65.92% of the commer-

cial banks' total assets in 1987. Twenty nine (29) banks operate in the country; of these, 11 are unibanks, 14 are domestic commercial banks, and 4 are foreign private banks.

The commercial banking industry is highly concentrated with the 5 largest banks accounting for 45% of total commercial bank assets in 1987. High concentration is further evidenced by the extensive interlocking directorships existing in the industry. A total of 1,348 director interlocks involving 1000 companies and 283 directors in 26 commercial banks has been documented. The figures indicate an average of 52 director interlocks per commercial bank, 5 interlocks per director, and 1.3 interlocks per company.

Evidence from director interlock analysis suggests: (1) heavy interlocking of commercial banks with other financial institutions which indicate a firm hold on the flow of credit by commercial banks and those that own and control them; (2) a wide span of control of commercial banks — commercial bank reach extends to a wide spectrum of the economy; (3) the widest sphere of control influence by unibanks.

Examination of nationality and ethnicity profiles indicates dominance of the industry by Filipino nationals of Filipino-Chinese ethnicity. Twenty-five (25) of the 29 commercial banks in operation are 100% Filipino-owned. Of these Filipino-owned commercial banks, 9 have foreign affiliations, and among the affiliates, Americans figure prominently holding shares in 5 of the foreign-affiliated commercial banks.

The ethnic group dominating the commercial banking industry is the Filipino-Chinese who own majority shares in 10 out of 23 commercial banks. Filipino-Chinese dominate the unibanking sector of the industry being majority owners of 7 of the 11 unibanks in operation. Control of unibanks is significant because of the wide span of their operations and their far reaching control influence.

The picture presented of the commercial banking industry is one that is tightly controlled and that is in tight control — through interlocking directorates — of segments of our economy. What harm this arrangement creates can only be determined by more thorough investigation. But scholars who have examined the banking industry in the light of its market structure have claimed non-beneficial effects. Tan (1989) has argued that the monopolistic banking structure, in addition to taxes, explains the large differentials that exist between types of deposits and between types of loans; the

**Table 13**  
**DOMINANT OWNERS OF FILIPINO - OWNED PRIVATE COMMERCIAL BANKS**

Type of Banks	Dominant Owners	Directorship Score	Ownership Score	Total
<b>A. EXPANDED KB's (or UNIBANKS)</b>				
Philippine National Bank	G.O.C.C.			
Bank of the Philippine Islands	Ayala, Jaime Zobel	5	5	10
Far East Bank and Trust Company	Villanueva, Roberto T.	3	5	8
Trans Phil. Inv. Corp.	Go, Henry L.	3	4	7
Universal Robina Corp.	Go, James L. \$	3	4	7
Shoemart, Inc.	Sy, Henry Sr.	3	5	8
Metropolitan Bank and Trust Company	Ty, S.K.	5	5	10
	Dolor, Soledad L.	4	1	5
	Chua, Gabriel	3	4	7
	Castillo, Andres V.	3	1	4
	Go, James	3	4	7
	Makalintal, Querube C.	3	1	4
	Mapa, Placido L. Jr.	3	1	4
	Periquet, Aurelio O. Jr.	3	1	4
Philippine Commercial Intl. Bank	@			
United Coconut Planters Bank	N.A.	N.A.	N.A.	N.A.
Rizal Commercial Banking Corporation	Yuchengco, Alfonso T.	5	2	7
	Antonino, Magnolia W.	3	4	7
Allied Banking Corporation	Tan, Lucio C.	5	5	10
Solidbank Corporation	Madrigal, Jose P.	5	5	10
	Madrigal, Consuelo P.	4	4	8
	Tecson, Wilfredo C.	3	5	8
	Lim Ka Thong	3	2	5
Citytrust Banking Corporation	Brimo, Henry A.	5	5	10
	Madrigal Gonzales, Ma. Paz	3	5	8
	Collantes, Manuel	3	5	8
	Santiago, Danilo A.	3	4	7
Equitable Banking Corporation.	Go Pailian, Peter	5	2	7
	Go, John C.B.	4	5	9
	Go, George	3	4	7
<b>B. PRIVATE DOMESTIC COMMERCIAL BANKS</b>				
Prudential Bank	Santos, Augusto A.	5	5	10
	Santos, Federico A.	4	5	9
	Santos, Jose L.	3	5	8
	Santos A. Benedicto L.	3	4	7
	Santos. Sónia G.	3	2	5

Table 13 (Continued)

Type of Banks	Dominant Owners	Directorship Score	Ownership Score	Total
	Santos, Mario M.	3	1	4
	Santos, Renato L.	3	1	4
	Delgado, Francisco C.	3	4	7
	De Jesus, Augusto S.	3	2	5
International Corporate Bank, The	—	—	—	—
China Banking Corporation GUSK Devt. Corp.	Dee, Joaquin	3	2	5
	Dee, Peter S.	3	5	8
Union Bank of the Philippines	#			
Security Bank and Trust Company	Zamora, Manuel B. Jr.	5	5	10
	Pacis, Vicente A. Sr.	3	3	6
Traders Royal Bank	—	—	—	—
Republic Planters Bank	—	—	—	—
Phil. Bank of Communications	Nubla, Ralph Jr.	3	5	6
	Nelson Chua Nai Tuan	3	5	8
Phil. Banking Corporation Investment and Devt., Inc.*	Laurel, Jose S. III	4	2	6
Phil. Trust Company	Sumulong, Jaime L.	3	4	7
Pioneer Group of Companies*	Co, Jose Halili	3	5	8
Boston Bank of the Philippines Cabien Corp.*	Uy, Domingo P.	3	5	8
Three Eight Corp.*	Cabilao, Hermenegildo R.	3	5	8
Ace Solid Holdings Corp.*	Lim, Elena S.	5	5	10
	De los Reyes, Victoria C. \$	3	4	7
Pilipinas Bank	#			
Producers Bank	N.A.	N.A.	N.A.	N.A.
Associated Bank	N.A.	N.A.	N.A.	N.A.
<b>C. PRIVATE FOREIGN BANKS</b>				
Bank of America, NT & SA	N.A.	N.A.	N.A.	N.A.
Citibank, N.A.	N.A.	N.A.	N.A.	N.A.
Hongkong and Shanghai Banking Corp.	N.A.	N.A.	N.A.	N.A.
Standard Chartered Bank	N.A.	N.A.	N.A.	N.A.

Source: S.E.C., for list of stockholders of commercial banks; CB, for list of Board of Directors

## Notes:

## Ownership Scores:

- 5 = 1st-5th stockholder in rank (dominant stockholder)
- 4 = 6th-10th stockholder in rank (second dominant)
- 3 = 11th-15th stockholders in rank (third dominant)
- 2 = 16th-20th stockholder in rank (fourth dominant)
- 1 = below 20th stockholder in rank (fifth dominant)

♦ those corporations are the major stockholders of commercial banks in question

— no Board Member is also a major stockholder

@ no recent available data for major stockholders

# biggest stockholders are SSS and LBP

c biggest stockholder is PNB

\$ special case since there are only five (5) stockholders

## Directorships Scores:

- 5 = chairman of the Board
- 4 = vice-chairman
- 3 = member

differentials favor large savers and borrowers and work against the small ones. Doherty (1980) whose work first established the existence of interlocking directorates in the commercial banking industry, claims such presence (interlocking directorates) has been prejudicial to the public interest.

We have seen that numerous companies within the same industry and related industries are linked through numerous interlocks and that 98% of these sectors are concentrated sectors with only 4 or fewer companies controlling 35% of the total sales within each sector where we have also seen that 23% of the 453 companies studied had profitability ratios of less than 5% which means that the great majority are making huge profits. All these should tell us that corporations certainly do not operate with the interest of the public in mind. (Doherty, 1980 p.31)

Public interest is not served by an absence of competition. Concentration insofar as it restricts competition does not bode well for societal welfare, more so if the industry in question is the financial sector because of its strategic importance.

#### Notes:

<sup>1/</sup> In the analysis of interlocking directorates, there are data limitations that need to be borne in mind. One of these limitations is incomplete coverage.

<sup>2/</sup> The ownership and control structure of commercial banks has been determined with the use of charts that detail the corporations and individuals holding stocks in the commercial banks under consideration. The charts also indicate the nationality of stockholders as well as their percentage shareholdings. Securities and Exchange Commission (SEC) records are the main sources of information on shareholdings.

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