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(In substitution of S. Nos. 253, 589, 882, 885, and 1241)

Prepared by the Committees on Banks, Financial Institutions and Currencies; and Ways and Means with Senators Osmeña III, Drilon, Roco, Tatad and Enrile as authors

AN ACT
PROVIDING FOR THE REGULATION OF THE ORGANIZATION AND OPERATIONS OF BANKS, QUASI-BANKS, TRUST ENTITIES AND FOR OTHER PURPOSES

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

CHAPTER I. Title and Classification of Banks

1 SECTION 1. *Title.*—The short title of this Act shall be “The General Banking Law of
2 1999.” (1a)

3 SEC. 2. *Definition and Classification of Banks.*—

4 2.1. “Banks” shall refer to entities engaged in the lending of funds obtained in the form of
5 deposits. (2a)

6 2.2. Banks shall be classified into:

7 (A) Universal banks;

8 (B) Commercial banks;

9 (C) Branches of foreign banks covered by Republic Act No. 7721 (hereafter the “Foreign
10 Banks Liberalization Act);

11 (D) Thrift banks, composed of: (i) Savings and mortgage banks, (ii) Stock savings and
12 loan associations, and (iii) Private development banks, as defined in Republic Act No. 7906
13 (hereafter the “Thrift Banks Act”);

14 (E) Rural banks, as defined in Republic Act No. 7353 (hereafter the “Rural Banks Act”);

15 (F) Cooperative banks, as defined in Republic Act No. 6938 (hereafter the “Cooperative
16 Code”); and

1 (G) Other classifications of banks as determined by the Monetary Board of the Bangko
2 Sentral ng Pilipinas. (6-Aa)

3 CHAPTER II. Authority of the Bangko Sentral

4 **SEC. 3. Supervisory Powers.**—The operations and activities of banks shall be subject to
5 supervision of the Bangko Sentral. “Supervision” shall include the following:

6 3.1. The issuance of rules of conduct or the establishment of standards of operation for
7 uniform application to all institutions or functions covered, taking into consideration the
8 distinctive character of the operations of institutions and the substantive similarities of specific
9 functions to which such rules, modes or standards are to be applied;

10 3.2. The conduct of special examination to determine compliance with laws and
11 regulations if the circumstances so warrant as determined by the Monetary Board.

12 3.3. Overseeing to ascertain that laws and regulations are complied with;

13 3.4. **Periodic investigation or examination which shall not be oftener than twice every**
14 **calendar year** to determine whether an institution is conducting its business on a safe or sound
15 basis;

16 3.5. Inquiring into the solvency and liquidity of the institution (2-D); or

17 3.6. **Enforcing prompt corrective action.** (n)

18 The Bangko Sentral shall also supervise the operations and activities of quasi-banks, trust
19 entities and other financial institutions which under special laws are subject to Bangko Sentral
20 supervision. (2-Ca)

21 For the purposes of this Act, “quasi-banks” shall refer to entities engaged in the
22 borrowing of funds through the issuance, endorsement or assignment with recourse or
23 acceptance of deposit substitutes as defined in Section 95 of Republic Act No. 7653 (hereafter
24 the “New Central Bank Act”) for purposes of relending or purchasing of receivables and other
25 obligations. (2-Da)

26 **SEC. 4. Policy Direction; Ratios, Ceilings and Limitations.**—The Bangko Sentral shall
27 provide policy direction in the areas of money, banking and credit. (n)

28 For this purpose, the Monetary Board may prescribe ratios, ceilings, limitations, or other
29 forms of regulation on the different types of accounts and practices of banks and quasi-banks.

1 The Monetary Board may exempt particular categories of transactions from such ratios, ceilings
2 and limitations. (2-Ca)

3 **SEC. 5. Authority to Engage in Banking and Quasi-Banking Functions.**—No person
4 or entity shall engage in banking operations or quasi-banking functions without authority from
5 the Bangko Sentral: **Provided, however, That an entity authorized by the Bangko Sentral to**
6 **perform universal or commercial banking functions shall likewise have the authority to**
7 **engage in quasi-banking functions.**

8 The determination of whether a person or entity is performing banking or quasi-banking
9 functions without Bangko Sentral authority shall be decided by the Monetary Board, subject to
10 judicial review. For the purpose of resolving such issue, the Monetary Board may, through the
11 appropriate supervising and examining department of the Bangko Sentral, examine, inspect or
12 investigate the books and records of such person or entity.

13 The department head and the examiners of the appropriate supervising and examining
14 department are hereby authorized to administer oaths to any such person, employee, officer, or
15 director of any such entity and to compel the presentation or production of all books, documents,
16 papers or records necessary in their judgment to ascertain the facts relative to the true functions
17 and operations of such person or entity.

18 Failure or refusal to comply with the required presentation or production of all books,
19 documents, papers or records shall subject the persons responsible therefor to the penal sanctions
20 provided under Section 36 of the New Central Bank Act.

21 Persons or entities found to be performing banking or quasi-banking functions without
22 authority from the Bangko Sentral shall be subject to Section 36 of the New Central Bank Act,
23 and may be referred to the Securities and Exchange Commission for the revocation of their
24 license to do business. (4a)

25 **SEC. 6. Examination by the Bangko Sentral.**—The Bangko Sentral shall have authority
26 to examine an enterprise which is wholly or majority-owned or controlled by a bank. (21-Ba)

27 **CHAPTER III. Organization, Management And Administration Of Banks, Quasi-Banks**
28 **And Trust Entities**

29 **SEC. 7. Organization.**—The Monetary Board may authorize the organization of a bank
30 or quasi-bank subject to the following conditions:

1 7.1. That the entity is a stock corporation (7);

2 7.2. That its funds are obtained from the public, which shall mean twenty (20) or more
3 persons (2-Da); and

4 7.3. **That the minimum capital requirements prescribed by the Monetary Board for**
5 **each category of banks are satisfied. (n)**

6 **SEC. 8. Issuance of Stocks.**—No bank shall issue no-par value stock. For the purpose
7 of determining compliance with laws and regulations governing capital and equity structure of
8 banks, the Monetary Board may prescribe rules and regulations on the types of stock a bank may
9 issue, including the terms thereof and rights appurtenant thereto. (8)

10 **SEC. 9. Treasury Stocks.**— No bank shall purchase or acquire shares of its own capital
11 stock or accept its own shares as a security for a loan, except when authorized by the
12 Monetary Board: *Provided*, That in every case the stock so purchased or acquired shall, within
13 six months from the time of its purchase or acquisition, be sold or disposed of at a public or
14 private sale. (24a)

15 **SEC. 10. Foreign Stockholdings.**— Foreign individuals and non-bank corporations
16 may own up to forty percent (40%) of the voting stock of a domestic bank. (12a; 12-Aa)

17 **The percentage of foreign-owned voting stocks in a bank shall be determined by the**
18 **citizenship of the individual stockholders in that bank. The citizenship of the corporation**
19 **which is a stockholder in a bank shall follow the citizenship of the controlling stockholders**
20 **of the corporation, irrespective of the place of incorporation. (n)**

21 **SEC. 11. Stockholdings of Family Groups.**— Stockholdings of individuals related to
22 each other within the third degree of consanguinity or affinity, legitimate or common-law, shall
23 be considered related interests and must be fully disclosed in all transactions by such an
24 individual with the bank. (12-Da)

25 **SEC. 12. Corporate Stockholdings.**—Two or more corporations owned or controlled
26 by the same family group or same group of persons shall be considered related interests
27 and must be fully disclosed in all transactions by such corporations or related groups of
28 persons with the bank. (12-Ba)

29 **SEC. 13. Certificate of Authority to Register.**—The Securities and Exchange
30 Commission shall not register the articles of incorporation of any bank, or any amendment

1 thereto, unless accompanied by a certificate of authority issued by the Monetary Board, under its
2 seal. Such certificate shall not be issued unless the Monetary Board is satisfied from the
3 evidence submitted to it:

4 13.1. That all requirements of existing laws and regulations to engage in the business for
5 which the applicant is proposed to be incorporated have been complied with;

6 13.2. That the public interest and economic conditions, both general and local, justify the
7 authorization; and

8 13.3. That the amount of capital, the financing, organization, direction and
9 administration, as well as the integrity and responsibility of the organizers and administrators
10 reasonably assure the safety of **deposits** and the public interest. (9)

11 The Securities and Exchange Commission shall not register the by-laws of any bank, or
12 any amendment thereto, unless accompanied by a certificate of authority **from** the Bangko
13 Sentral. (10)

14 **SEC. 14. Board of Directors.**—There shall be at least seven (7) members of the
15 board of directors of a bank, two (2) of whom shall be independent directors. An
16 “independent director” shall mean a person other than an officer or employee of the bank,
17 its subsidiaries or affiliates or related interests. (n)

18 **Non-Filipino citizens may become members of the board of directors of a bank to**
19 **the extent of the foreign participation in the equity of said bank.** (Sec. 7, RA 7721)

20 **The meetings of the board of directors may be conducted through modern**
21 **technologies such as, but not limited to, teleconferencing and video-conferencing: *Provided,***
22 **That a majority of such directors are physically present.** (n)

23 **SEC. 15. *Fit and Proper Rule.***—To maintain the quality of bank management and afford
24 better protection to depositors and the public in general, the Monetary Board shall prescribe,
25 pass upon and review the qualifications and disqualifications of individuals elected or appointed
26 bank directors or officers and disqualify those found unfit.

27 **A bank director or officer may be disqualified, removed or suspended by the**
28 **Monetary Board for acts or omissions which renders him unfit for the position.**

1 **In determining whether an individual is fit and proper to hold the position of a**
2 **director or officer of a bank, regard shall be given to his integrity, experience, education**
3 **training, and competence. (9-Aa)**

4 **SEC. 16. *Directors of Merged or Consolidated Banks.*—In the case of a bank merger or**
5 **consolidation duly approved by the Monetary Board, the limitation on the number of directors in**
6 **a corporation, as provided for in the Corporation Code, shall not be applied so that membership**
7 **in the new board may include up to the total number of directors provided for in the respective**
8 **articles of incorporation of the merging or consolidating banks. (13)**

9 **SEC. 17. *Compensation and Other Benefits of Directors and Officers.*—To protect the**
10 **funds of depositors and creditors, the Monetary Board may regulate the payment by the**
11 **bank to its directors and officers of compensation, allowance, fees, bonuses, stock options,**
12 **profit sharing and fringe benefits only in exceptional cases and when the circumstances**
13 **warrant, such as but not limited to the following:**

14 **17.1. When a bank is under comptrollership or conservatorship; or**

15 **17.2. When a bank is found by the Monetary Board to be conducting business in an**
16 **unsafe or unsound manner; or**

17 **17.3. When a bank is found by the Monetary Board to be in an unsatisfactory**
18 **financial condition. (n)**

19 **SEC. 18. *Prohibition on Public Officials.*—Except as otherwise provided in the**
20 **Rural Banks Act, no appointive or elective public official, whether full-time or part-time shall**
21 **at the same time serve as officer of any private bank, save in cases where such service is incident**
22 **to financial assistance provided by the government or a government-owned or controlled**
23 **corporation to the bank or unless otherwise provided under existing laws. (13)**

24 **SEC. 19. *Bank Branches.*—Universal or commercial banks may open branches or**
25 **other offices within or outside the Philippines upon prior approval of the Bangko Sentral.**

26 **Branching by all other banks shall be governed by pertinent laws.**

27 **A bank authorized to establish branches or other offices shall be responsible for all**
28 **business conducted in such branches and offices to the same extent and in the same manner as**
29 **though such business had all been conducted in the head office. A bank and its branches and**
30 **offices shall be treated as one unit. (6-B; 27)**

1 **SEC. 20. *Banking Days and Hours.***—Unless otherwise authorized by the Bangko
2 Sentral in the interest of the banking public, all banks including their branches and offices shall
3 transact business on all working days for at least six (6) hours a day. In addition, banks or any of
4 their branches or offices may open for business on Saturdays, Sundays or holidays for at least
5 three (3) hours a day: *Provided*, That banks which opt to open on days other than working days
6 shall report to the Bangko Sentral the additional days during which they or their branches or
7 offices shall transact business.

8 For purposes of this Section, working days shall mean Mondays to Fridays, except if such
9 days are holidays. (6-Ca)

10 **SEC. 21. *Strikes and Lockouts.***—The banking industry is hereby declared as
11 indispensable to the national interest and, notwithstanding the provisions of any law to the
12 contrary, any strike or lockout involving banks, if unsettled after seven (7) calendar days shall be
13 reported by the Bangko Sentral to the President of the Philippines who shall be certify the same
14 to the appropriate court, government agency or commission for resolution. (6-E)

15 **CHAPTER IV. Deposits, Loans and Other Operations**

16 **Article I. Operations of Universal Banks**

17 **SEC. 22. *Powers of a Universal Bank.***—A universal bank shall have the authority to
18 exercise, in addition to the powers authorized for a commercial bank in Section 28, the powers of
19 an investment house as provided in existing laws and the power to invest in non-allied
20 enterprises as provided in this Act. (21-B)

21 **SEC. 23. *Equity Investments of a Universal Bank.***—A universal bank may, subject to
22 the conditions stated in the succeeding paragraph, invest in the equities of allied and non-allied
23 enterprises as may be determined by the Monetary Board. Allied enterprises may either be
24 financial or non-financial.

25 Except as the Monetary Board may otherwise prescribe:

26 23.1 The total investment in equities of allied and non-allied enterprises shall not exceed
27 fifty percent (50%) of the net worth of the bank; and

28 23.2. The equity investment in any one enterprise, whether allied or non-allied, shall not
29 exceed twenty-five percent (25%) of the net worth of the bank.

1 The acquisition of such equity or equities is subject to the prior approval of the Monetary
2 Board which shall promulgate appropriate guidelines to govern such investments. (21-Ba)

3 **SEC. 24. *Equity Investments of a Universal Bank in Financial Allied Enterprises.***—A
4 universal bank can own up to one hundred percent (100%) of the equity in a thrift bank, a rural
5 bank or a financial allied enterprise.

6 A **publicly-listed universal bank** may own up to **one hundred percent (100%)** of the
7 voting stock of **only one other** universal or commercial bank. **For the purpose of complying**
8 **with this Section, a universal bank shall be considered publicly-listed only if it shall**
9 **publicly list with the Philippine Stock Exchange thirty-five percent (35%) of its total**
10 **outstanding stocks. This rule shall also apply in the case of commercial banks.** (21-B; 21-
11 Ca)

12 **SEC. 25. *Equity Investments of a Universal Bank in Non-Financial Allied***
13 ***Enterprises.***—A universal bank may own up to one hundred percent (100%) of the equity in a
14 non-financial allied enterprise. (21-Ba)

15 **SEC. 26. *Equity Investments of a Universal Bank in Non-Allied Enterprises.***—The
16 equity investment of a universal bank, or of its wholly or majority-owned subsidiaries, in a single
17 non-allied enterprise shall not exceed thirty-five percent (35%) of the total equity in that
18 enterprise nor shall it exceed thirty-five percent (35%) of the voting stock in that enterprise. (21-
19 B)

20 **SEC. 27. *Equity Investments in Quasi-Banks.***—To promote competitive conditions in
21 financial markets, the Monetary Board may further limit equity investments of universal banks in
22 quasi-banks. This rule shall also apply in the case of commercial banks. (12-E)

23 **Article II. Operations of Commercial Banks**

24 **SEC. 28. *Powers of a Commercial Bank.*** — A commercial bank shall have, in addition
25 to the general powers incident to corporations, all such powers as may be necessary to carry on
26 the business of commercial banking, such as accepting drafts and issuing letters of credit;
27 discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of
28 debt; accepting or creating demand deposits; receiving other types of deposits and deposit
29 substitutes; buying and selling foreign exchange and gold or silver bullion; acquiring marketable
30 bonds and other debt securities; and extending credit, subject to such rules as the Monetary

1 Board may promulgate. These rules may include, but not limited to, the determination of bonds
2 and other debt securities eligible for investment, the maturities and aggregate amount of such
3 investment. (21a)

4 **SEC. 29. *Equity Investments of a Commercial Bank.***—A commercial bank may,
5 subject to the conditions stated in the succeeding paragraphs, invest only in the equities of allied
6 enterprises as may be determined by the Monetary Board. Allied enterprises may either be
7 financial or non-financial.

8 Except as the Monetary Board may otherwise prescribe:

9 29.1. The total investment in equities of allied enterprises shall not exceed thirty-five
10 percent (35%) of the net worth of the bank; and

11 29.2. The equity investment in any one enterprise shall not exceed twenty-five percent
12 (25%) of the net worth of the bank.

13 The acquisition of such equity or equities is subject to the prior approval of the Monetary
14 Board which shall promulgate appropriate guidelines to govern such investments. (21A-a; 21-
15 Ca)

16 **SEC. 30. *Equity Investments of a Commercial Bank in Financial Allied Enterprises.***
17 — A commercial bank may own up to one hundred percent (100%) of the equity of a thrift bank
18 or a rural bank.

19 Where the equity investment of a commercial bank is in **other** financial allied
20 enterprises, **including another commercial** bank, such investment shall remain a minority
21 holding in that enterprise. (21-Aa;21-Ca)

22 **SEC. 31. *Equity Investments of a Commercial Bank in Non-Financial Allied***
23 ***Enterprises.***—A commercial bank may own up to one hundred percent (100%) of the equity in a
24 non-financial allied enterprise. (21-Aa)

25 **Article III. Provisions Applicable to All Banks, Quasi-Banks, and Trust Entities**

26 **SEC. 32. *Acceptance of Demand Deposits.***—A bank other than a universal or
27 commercial bank cannot accept or create demand deposits except upon prior approval of, and
28 subject to such conditions and rules as may be prescribed by the Monetary Board. (72-Aa)

1 **SEC. 33. Risk-Based Capital.**—The Monetary Board shall prescribe the minimum
2 ratio which the combined capital accounts of a bank must bear to its total risk assets which
3 may include contingent accounts.

4 **“Combined Capital Accounts” or “Net Worth” shall mean the total of the**
5 **unimpaired paid-in capital including paid-in surplus, retained earnings and undivided**
6 **profits, net of valuation reserves and other adjustments as may be required by the Bangko**
7 **Sentral. (5a)**

8 **For purposes of this Section, the Monetary Board may require that such ratio be**
9 **determined on the basis of the combined capital accounts and risk assets of a bank and its**
10 **subsidiaries, financial or otherwise, as well as prescribe the composition and the manner of**
11 **determining the combined capital accounts and total risk assets of banks and their**
12 **subsidiaries: *Provided*, That in the exercise of this authority, the Monetary Board shall, to**
13 **the extent feasible, conform to internationally accepted standards relating to risk-based**
14 **capital requirements: *Provided, further*, That it may alter such ratio whenever necessary:**
15 ***Provided, finally*, That such ratio shall be applied uniformly to banks of the same category.**

16 **In case a bank does not comply with the prescribed minimum ratio, the Monetary**
17 **Board may limit or prohibit the distribution of net profits by such bank and may require**
18 **that part or all of the net profits be used to increase the capital accounts of the bank until**
19 **the minimum requirement has been met. The Monetary Board may, furthermore, restrict**
20 **or prohibit the acquisition of major assets and the making of new investments by the bank,**
21 **with the exception of purchases of readily marketable evidences of indebtedness of the**
22 **Republic of the Philippines and of the Bangko Sentral and any other evidences of**
23 **indebtedness or obligations the servicing and repayment of which are fully guaranteed by**
24 **the Republic of the Philippines, until the minimum required capital ratio has been**
25 **restored.**

26 **In case of a bank merger or consolidation, or when a bank is under rehabilitation**
27 **under a program approved by the Bangko Sentral, the Monetary Board may temporarily**
28 **relieve the surviving bank, consolidated bank, or constituent bank or corporations under**
29 **rehabilitation from full compliance with the required capital ratio under such conditions as**
30 **it may prescribe.**

1 **Before the effectivity of the rules which the Monetary Board is authorized to**
2 **prescribe under this provision, Section 22 of the General Banking Act, as amended, Section**
3 **9 of the Thrift Banks Act, and all pertinent rules issued pursuant thereto, shall continue to**
4 **be in force. (22a)**

5 **SEC. 34. *Limit on Loans, Credit Accommodations and Guarantees.*—**

6 34.1. Except as the Monetary Board may otherwise prescribe **for reasons of national**
7 **interest**, the total amount of loans, credit accommodations and guarantees as may be defined by
8 the Monetary Board that may be extended by a bank to any person, partnership, association,
9 corporation or other entity shall at no time exceed fifteen percent (15%) of the combined capital
10 accounts of such bank.

11 34.2. Unless the Monetary Board prescribes otherwise, the total amount of loans, credit
12 accommodations and guarantees prescribed in the preceding paragraph may be increased by an
13 additional **ten percent (10%)** of the combined capital accounts of such bank provided the
14 additional liabilities of any borrower are adequately secured by **trust receipts**, shipping
15 documents, warehouse receipts or other similar documents transferring or securing title covering
16 readily marketable, non-perishable goods which must be fully covered by insurance.

17 34.3. The above prescribed ceilings shall include: (A) the direct liability of the maker or
18 acceptor of paper discounted with or sold to such bank and the liability of a general indorser,
19 drawer or guarantor who obtains a loan or other credit accommodation from or discounts paper
20 with or sells papers to such bank; (B) in the case of an individual who owns or controls a
21 majority interest in a corporation, partnership, association or any other entity, the liabilities of
22 said entities to such bank; (C) in the case of a corporation, all liabilities to such bank of all
23 subsidiaries in which such corporation owns or controls a majority interest; and (D) in the case of
24 a partnership, association or other entity, the liabilities of the members thereof to such bank.

25 34.4. Even if a parent corporation, partnership, association, entity or an individual who
26 owns or controls a majority interest in such entities has no liability to the bank, the Monetary
27 Board may prescribe the combination of the liabilities of subsidiary corporations or members of
28 the partnership, association, entity or such individual under certain circumstances, including but
29 not limited to any of the following situations: (A) the parent corporation, partnership,
30 association, entity or individual guarantees the repayment of the liabilities; (B) the liabilities

1 were incurred for the accommodation of the parent corporation or another subsidiary or of the
2 partnership or association or entity or such individual; or (C) the subsidiaries though separate
3 entities operate merely as departments or divisions of a single entity.

4 34.5. For purposes of this Section, loans, other credit accommodations and guarantees
5 shall exclude: (A) loans and other credit accommodations secured by obligations of the Bangko
6 Sentral or of the Philippine Government; (B) loans and other credit accommodations fully
7 guaranteed by the government as to the payment of principal and interest; (C) loans and other
8 credit accommodations covered by assignment of deposits maintained in the lending bank and
9 held in the Philippines; (D) loans, credit accommodations and acceptances under letters of credit
10 to the extent covered by margin deposits; and (E) other loans or credit accommodations which
11 the Monetary Board may from time to time, specify as non-risk items.

12 34.6. Loans and other credit accommodations, deposits maintained with, and usual
13 guarantees by a bank to any other bank or non-bank entity, whether locally or abroad, shall be
14 subject to the limits as herein prescribed.

15 34.7. Certain types of contingent accounts of borrowers may be included among those
16 subject to the herein limit as may be determined by the Monetary Board. (23a)

17 **SEC. 35. *Restriction on Bank Exposure to Directors, Officers, Stockholders and Their***
18 ***Related Interests.***—No director or officer of any bank shall, directly or indirectly, for himself or
19 as the representative or agent of others, borrow from such bank nor shall he become a guarantor,
20 indorser or surety for loans from such bank to others, or in any manner be an obligor or incur
21 any contractual liability to the bank except with the written approval of the majority of the
22 directors of the bank, excluding the director concerned, **there being a quorum: *Provided, That***
23 **such written approval shall not be required for loans, other credit accommodations and**
24 **advances granted to officers under a fringe benefit plan approved by the Bangko Sentral.**
25 The required approval shall be entered upon the records of the bank and a copy of such entry
26 shall be transmitted forthwith to the appropriate supervising and examining department of the
27 Bangko Sentral. The office of any bank director or officer who violates the provisions of this
28 Section shall immediately become vacant and the director or officer shall be subject to Sections
29 36 and 37 of the New Central Bank Act.

1 The Monetary Board may regulate the amount of loans, credit accommodations and
2 guarantees that may be extended, directly or indirectly, by a bank to its directors, officers,
3 stockholders and their related interests, as well as investments of such bank in enterprises owned
4 or controlled by said directors, officers, stockholders and their related interests. However, the
5 outstanding loans, credit accommodations and guarantees which a bank may extend to each of its
6 stockholders, directors, or officers and their related interests, shall be limited to an amount
7 equivalent to their respective unencumbered deposits and book value of their paid-in capital
8 contribution in the bank: ***Provided, however, That loans, credit accommodations and***
9 ***guarantees secured by assets considered as non-risk by the Monetary Board shall be***
10 ***excluded from such limit: Provided, further, That loans, credit accommodations and***
11 ***advances to officers in the form of fringe benefits granted in accordance with rules as may***
12 ***be prescribed by the Monetary Board shall not be subject to the individual limit.***

13 Unless otherwise provided in this law, the Monetary Board shall define the term
14 “related interests”.

15 **The limit on loans, credit accommodations and guarantees prescribed herein shall**
16 **not apply to loans, credit accommodations and guarantees extended by a cooperative bank**
17 **to its cooperative shareholders. (83a)**

18 **SEC. 36. *Loans and Other Credit Accommodations Against Real Estate.***—Except as
19 the Monetary Board may otherwise prescribe, loans and other credit accommodations against
20 real estate shall not exceed **sixty percent (60%)** of the appraised value of the respective real
21 estate security, plus **sixty percent (60%)** of the appraised value of the insured improvements,
22 and such loans shall not be made unless title to the real estate shall be in the name of the
23 mortgagor. (78a)

24 **SEC. 37. *Loans And Other Credit Accommodations on Security of Chattels.***—Except
25 as the Monetary Board may otherwise prescribe, loans and other credit accommodations on
26 security of chattels shall not exceed **fifty percent (50%)** of the appraised value of the security,
27 and such loans and other credit accommodations shall not be made unless title to the chattels,
28 free from all encumbrances, shall be in the name of the mortgagor. (78)

1 **SEC. 38. *Grant and Purpose of Loans and Other Credit Accommodations.***—A bank
2 shall grant loans and other credit accommodations only in amounts and for the periods of time
3 essential for the effective completion of the operations to be financed. Such grant of loans and
4 other credit accommodations shall be consistent with safe and sound banking practices. (75a)

5 The purpose of all loans and other credit accommodations shall be stated in the
6 application and in the contract between the bank and the borrower. If the bank finds that the
7 proceeds of the loan or other credit accommodation have been employed, without its approval,
8 for purposes other than those agreed upon with the bank, it shall have the right to terminate the
9 loan or other credit accommodation and demand immediate repayment of the obligation. (77)

10 **SEC. 39. *Requirement for Grant of Loans or Other Credit Accommodations.***—Before
11 granting a loan or other credit accommodation, a bank must ascertain that the debtor is capable
12 of fulfilling his commitments to the bank.

13 Toward this end, a bank may demand from its credit applicants a statement of their
14 **assets and liabilities and of their income and expenditures and such information as may be**
15 **prescribed by law or by rules and regulations of Monetary Board to enable the bank to**
16 **properly evaluate the credit application.** Should such statements prove to be false or incorrect
17 in any material detail, the bank may terminate any loan or other credit accommodation granted
18 on the basis of said statements and shall have the right to demand immediate repayment or
19 liquidation of the obligation. **In formulating rules and regulations under this Section, the**
20 **Monetary Board shall recognize the peculiar characteristics of microfinancing, such as**
21 **cash flow-based lending to the basic sectors that are not covered by traditional collateral.**
22 (76a)

23 **SEC. 40. *Unsecured Loans or Other Credit Accommodations.***— **The Monetary Board**
24 **is hereby authorized to issue such regulations as it may deem necessary with respect to**
25 **unsecured loans or other credit accommodations that may be granted by banks. (n)**

26 **SEC. 41. *Other Security Requirements for Bank Credits.***—The Monetary Board may,
27 by regulation, prescribe further security requirements to which the various types of bank credits
28 shall be subject, and, in accordance with the authority granted to it in Section 106 of the New
29 Central Bank Act, the Board may by regulation, reduce the maximum ratios established in

1 Sections 37 and 38 of this Act, or, in special cases, increase the maximum ratios established
2 therein. (78)

3 **SEC. 42. Authority to Prescribe Terms and Conditions of Loans and Other Credit**
4 **Accommodations.**—The Monetary Board may, similarly, in accordance with the authority
5 granted to it in Section 106 of the New Central Bank Act, and taking into account the
6 requirements of the economy for the effective utilization of long-term funds, prescribe the
7 maturities, as well as related terms and conditions for various types of bank loans and other
8 credit accommodations. Any change by the Board in the maximum maturities shall apply only to
9 loans and other credit accommodations made after the date of such action. (78)

10 **SEC. 43. Amortization on Loans and Other Credit Accommodations.**—The
11 amortization schedule of bank loans and other credit accommodations shall be adapted to the
12 nature of the operations to be financed.

13 In case of loans and other credit accommodations with maturities of more than five (5)
14 years, provisions must be made for periodic amortization payments, but such payments must be
15 made at least annually: *Provided, however,* That when the borrowed funds are to be used for
16 purposes which do not initially produce revenues adequate for regular amortization payments
17 therefrom, the bank may permit the initial amortization payment to be deferred until such time as
18 said revenues are sufficient for such purpose, but in no case shall the initial amortization date be
19 later than five years from the date on which the loan or other credit accommodation is granted.
20 (79a)

21 In case of loans and other credit accommodations to microfinance sectors, the
22 schedule of loan amortization shall take into consideration the projected cash flow of the
23 borrower and adopt this into the terms and conditions formulated by banks. (n)

24 **SEC. 44. Prepayment of Loans and Other Credit Accommodations.**—A borrower may
25 at any time prior to the agreed maturity date prepay, in whole or in part, the unpaid balance of
26 any bank loan and other credit accommodation, subject to such reasonable terms and
27 conditions as may be agreed upon between the bank and its borrower. (80a)

28 **SEC. 45. Development Assistance Incentives.**—The Bangko Sentral may provide
29 incentives to banks which, without government guarantee, extend loans to finance

1 **educational institutions, cooperatives, hospitals and other medical services, socialized or**
2 **low-cost housing, local government units and other activities with social content. (n)**

3 **SEC. 46. *Foreclosure of Real Estate Mortgage.***—In the event of foreclosure, whether
4 judicially or extra-judicially, of any mortgage on real estate which is security for any loan or
5 other credit accommodation granted, the mortgagor or debtor whose real property has been sold
6 for the full or partial payment of his obligation shall have the right within one year after the sale
7 of the real estate, to redeem the property by paying the amount due under the mortgage deed,
8 with interest thereon at the rate specified in the mortgage, and all the costs and expenses incurred
9 by the bank or institution from the sale and custody of said property less the income derived
10 therefrom. However, the purchaser at the auction sale concerned whether in a judicial or extra-
11 judicial foreclosure shall have the right to enter upon and take possession of such property
12 immediately after the date of the confirmation of the auction sale and administer the same in
13 accordance with law. Any petition in court to enjoin or restrain the conduct of foreclosure
14 proceedings instituted pursuant to this provision shall be given due course only upon the filing
15 by the petitioner of a bond equivalent to the full amount of the outstanding debt or obligation due
16 to the creditor bank plus the expenses of the foreclosure. (78a)

17 **SEC. 47. *Renewal or Extension of Loans and Other Credit Accommodations.***—The
18 Monetary Board may, by regulation, prescribe the conditions and limitations under which a bank
19 may grant extensions or renewals of its loans and other credit accommodations. (81)

20 **SEC. 48. *Provisions for Losses and Write-Offs.***—All debts due to any bank on which
21 interest is past due and unpaid for such period as may be determined by the Monetary Board,
22 unless the same are well-secured and in the process of collection shall be considered bad debts
23 within the meaning of this Section.

24 The Monetary Board may fix, by regulation or by order in a specific case, the amount of
25 reserves for bad debts or doubtful accounts or other contingencies.

26 Writing off of loans, other credit accommodations, advances and other assets shall be
27 subject to regulations issued by the Monetary Board. (84a)

28 **SEC. 49. *Ceiling on Investments in Certain Assets.***—Any bank may acquire real estate
29 as shall be necessary for its own use in the conduct of its business: *Provided, however,* That the

1 total investment in such real estate and improvements thereof, including bank equipment, shall
2 not exceed fifty percent (50%) of combined capital accounts: *Provided, further,* That the equity
3 investment of a bank in another corporation engaged primarily in real estate shall be considered
4 as part of the bank's total investment in real estate, unless otherwise provided by the Monetary
5 Board. (25a)

6 **SEC. 50. *Acquisition of Real Estate by Way of Satisfaction of Claims.*—**
7 Notwithstanding the limitations of the preceding Section, a bank may acquire, hold or convey
8 real property under the following circumstances:

9 50.1. Such as shall be mortgaged to it in good faith by way of security for debts;

10 50.2. Such as shall be conveyed to it in satisfaction of debts previously contracted in the
11 course of its dealings; or

12 50.3. Such as it shall purchase at sales under judgments, decrees, mortgages, or trust
13 deeds held by it and such as it shall purchase to secure debts due it.

14 Any real property acquired or held under the circumstances enumerated in the above
15 paragraph shall be disposed of by the bank within a period of five (5) years or as may be
16 prescribed by the Monetary Board: *Provided, however,* That the bank may, after said period,
17 continue to hold the property for its own use, subject to the limitations of the preceding Section.
18 (25a)

19 **SEC. 51. *Other Banking Services.*—**In addition to the operations specifically
20 authorized in this Act, a bank may perform the following services:

21 51.1. Receive in custody funds, documents and valuable objects;

22 51.2. Act as financial agent and buy and sell, by order of and for the account of their
23 customers, shares, evidences of indebtedness and all types of securities;

24 51.3. Make collections and payments for the account of others and perform such other
25 services for their customers as are not incompatible with banking business;

26 51.4. Upon prior approval of the Monetary Board, act as managing agent, adviser,
27 consultant or administrator of investment management/advisory/consultancy accounts; and

28 51.5. Rent out safety deposit boxes.

1 The bank shall perform the services permitted under Subsections 51.1, 51.2, 51.3 and
2 51.4 as depositary or as an agent. Accordingly, it shall keep the funds, securities and other
3 effects which it receives duly separate from the bank's own assets and liabilities.

4 The Monetary Board may regulate the operations authorized by this Section in order to
5 ensure that such operations do not endanger the interests of the depositors and other creditors of
6 the bank. (72)

7 **SEC. 52. *Prohibition to Act as Insurer.***—A bank shall not directly engage in insurance
8 business as the insurer. (73)

9 **SEC. 53. *Prohibited Transactions.*** —

10 53.1. No director, officer, employee, or agent of any bank shall —

11 (A) Make false entries in any bank report or statement or participate in any fraudulent
12 transaction, thereby affecting the financial interest of, or causing damage to, the bank or any
13 person;

14 (B) Without order of a court of competent jurisdiction, disclose to any unauthorized
15 person any information relative to the funds or properties in the custody of the bank belonging to
16 private individuals, corporations, or any other entity: *Provided*, That with respect to bank
17 deposits, the provisions of existing laws shall prevail;

18 (C) Accept gifts, fees or commissions or any other form of remuneration in connection
19 with the approval of a loan or other credit accommodation from said bank; or

20 (D) Overvalue or aid in overvaluing any security for the purpose of influencing in any
21 way the actions of the bank or any bank.

22 53.2. No borrower of a bank shall-

23 (A) Fraudulently overvalue property offered as security for a loan or other credit
24 accommodation from the bank;

25 (B) Furnish false, or make willful misrepresentation of, material facts for the purpose of
26 obtaining, renewing, or increasing a loan or other credit accommodation or extending the period
27 thereof;

1 (C) Attempt to defraud the said bank in the event of a court action to recover a loan or
2 other credit accommodation, or

3 (D) Offer any director, officer, employee or agent of a bank any gift, fee, commission, or
4 any other form of compensation in order to influence such persons into approving a loan or other
5 credit accommodation application.

6 53.3. No examiner, officer or employee of the Bangko Sentral or of any department,
7 bureau, office, branch or agency of the Government that is assigned to supervise, examine, assist
8 or render technical assistance to any bank shall commit any of the acts enumerated in this
9 Section or aid in the commission of the same. (87-Aa)

10 **SEC. 54. *Conducting Business in an Unsafe or Unsound Manner.*—In determining**
11 **whether a particular act or omission, which is not otherwise prohibited by any law, rule or**
12 **regulation affecting banks, quasi-banks or trust entities, may be deemed as conducting**
13 **business in an unsafe or unsound manner for purposes of this Section, the Monetary Board**
14 **shall consider any of the following circumstances:**

15 **54.1 The act or omission has resulted or may result in material loss or damage, or**
16 **abnormal risk or danger to the safety, stability, liquidity or solvency of the institution;**

17 **54.2 The act or omission has resulted or may result in material loss or damage or**
18 **abnormal risk to the institution's depositors, creditors, investors, stockholders or to the**
19 **Bangko Sentral or to the public in general;**

20 **54.3. The act or omission has caused any undue injury, or has given any**
21 **unwarranted benefits, advantage or preference to the bank or any party in the discharge**
22 **by the director or officer of his duties and responsibilities through manifest partiality,**
23 **evident bad faith or gross inexcusable negligence; or**

24 **54.4 The act or omission involves entering into any contract or transaction manifestly**
25 **and grossly disadvantageous to the bank, quasi-bank or trust entity, whether or not the**
26 **director or officer profited or will profit thereby.**

27 **Whenever a bank, quasi-bank or trust entity persists in conducting its business in**
28 **an unsafe or unsound manner, the Monetary Board may, without prejudice to the**
29 **administrative sanctions provided in Section 37 of the New Central Bank Act, take action**

1 under Section 30 of the same Act and/or immediately exclude the erring bank from
2 clearing, the provisions of law to the contrary notwithstanding. (n)

3 **SEC. 55. *Prohibition on Dividend Declaration.***—No bank or quasi-bank shall declare
4 dividends greater than its accumulated net profits then on hand, deducting therefrom its losses
5 and bad debts. Neither shall the bank nor quasi-bank declare dividends, if at the time of
6 declaration:

7 55.1 Its clearing account with the Bangko Sentral is overdrawn; or

8 55.2 It is deficient in the required liquidity floor for government deposits for five or more
9 consecutive days; or

10 55.3 It does not comply with the liquidity standards/ratios prescribed by the Bangko
11 Sentral for purposes of determining funds available for dividend declaration; or

12 55.4 It has committed a major violation as may be determined by the Bangko Sentral.
13 (84a)

14 **SEC. 56. *Independent Auditor.***—The Monetary Board may require a bank, quasi-bank
15 or trust entity to engage the services of an independent auditor to be chosen by the bank, quasi-
16 bank or trust entity concerned from a list of certified public accountants acceptable to the
17 Monetary Board. The term of the engagement shall be as prescribed by the Monetary Board
18 which may either be on a continuing basis where the auditor shall act as resident examiner, or on
19 the basis of special engagements; but in any case, the independent auditor shall be responsible
20 not only to the bank's, quasi-bank's or trust entity's board of directors, but to the Monetary
21 Board as well. The Monetary Board may also direct the board of directors of a bank, quasi-bank,
22 trusty entity and/or the individual members thereof, to conduct, either personally or by a
23 committee created by the board, an annual balance sheet audit of the bank, quasi-bank or trust
24 entity to review the internal audit and control system of the bank, quasi-bank or trust entity and
25 to submit a report of such audit. (6-Da)

26 **SEC. 57. *Authority to Regulate Electronic Transactions.***—The Bangko Sentral shall
27 have full authority to regulate the use of electronic devices, such as computers, and
28 processes for recording, storing and transmitting information or data in connection with

1 the operations of a bank, quasi-bank or trust entity, including the delivery of services and
2 products to customers by such entity. (n)

3 **SEC. 58. *Financial Statements.***—Every bank, quasi-bank or trust entity shall
4 submit to the appropriate supervising and examining department of the Bangko Sentral
5 financial statements in such form and frequency as may be prescribed by the Bangko
6 Sentral. Such statements, which shall be as of a specific date designated by the Bangko
7 Sentral, shall show the actual financial condition of the institution submitting the
8 statement, and of its branches, offices, subsidiaries and affiliates, including the results of its
9 operations, and shall contain such information as may be required in Bangko Sentral
10 regulations, or as may be called for by the Bangko Sentral in special inquiries. (n)

11 **SEC. 59. *Publication of Financial Statements.***—Every bank, quasi-bank or trust
12 entity, shall publish a statement of its financial condition, including those of its subsidiaries
13 and affiliates, in such terms understandable to the layman and in such frequency as may be
14 prescribed by the Bangko Sentral, in English or Filipino, at least once every quarter in a
15 newspaper of general circulation in the city or province where the principal office, in the
16 case of a domestic institution, or the principal branch or office in the case of a foreign
17 bank, is located, but if no newspaper is published in the same province, then in a
18 newspaper published in Metro Manila or in the nearest city or province.

19 **Such published financial statements shall contain at least the following:**

20 **59.1 Balance sheet items;**

21 **59.2 Off-balance sheet items;**

22 **59.3 Income statements;**

23 **59.4 Bank exposure to its own directors, officers, stockholders, and related interest**
24 **(DOSRI);**

25 **59.5 Non-performing loans;**

26 **59.6 Compliance with risk-based capital ratios; and**

27 **59.7 List of board of directors and advisers as of date of publication.**

1 The Bangko Sentral may by regulation prescribe the newspaper where the
2 statements prescribed herein shall be published.

3 The Monetary Board may allow the posting of the financial statements of a bank,
4 quasi-bank or trust entity in public places it may determine, in lieu of the publication
5 required in the preceding paragraph, when warranted by the circumstances.

6 In periods of national and/or local emergency or of imminent panic which directly
7 threaten monetary and banking stability, the Monetary Board, by a vote of at least five (5)
8 of its members, in special cases and upon application of the bank, quasi-bank or trust
9 entity, may allow such bank, quasi-bank or trust entity to defer for a stated period of time
10 the publication of the statement of financial condition required herein. (n)

11 **SEC. 60. *Publication of Capital Stock.***—A bank, quasi-bank or trust entity incorporated
12 under the laws of the Philippines shall not publish the amount of its authorized or subscribed
13 capital stock without indicating at the same time and with equal prominence, the amount of its
14 capital actually paid up.

15 No branch of any foreign bank doing business in the Philippines shall in any way
16 announce the amount of the capital and surplus of its head office, or of the bank in its entirety
17 without indicating at the same time and with equal prominence the amount of the capital, if any,
18 definitely assigned to such branch. In case no capital has been definitely assigned to such branch,
19 such fact shall be stated in, and shall form part of the publication. (82)

20 **SEC. 61. *Settlement of Disputes.***—The provisions of any law to the contrary
21 notwithstanding, the Bangko Sentral shall be consulted by other government agencies or
22 instrumentalities in actions or proceedings initiated by or brought before them involving
23 controversies in banks, quasi-banks or trust entities arising out of and involving relations
24 between and among their directors, officers or stockholders, as well as disputes between
25 any or all of them and the bank, quasi-bank or trust entity of which they are directors,
26 officers or stockholders. (n)

27 **SEC. 62. *Unauthorized Advertisement or Business Representation.***—No person,
28 association, or corporation unless duly authorized to engage in the business of a bank, quasi-
29 bank, trust entity, or savings and loan association as defined in this Act, or other banking laws,

1 shall advertise or hold itself out as being engaged in the business of such bank, quasi-bank, trust
2 entity, or association, or use in connection with its business title, the word or words “bank”,
3 “banking”, “banker”, “quasi-bank”, “quasi-banking”, “quasi-banker”, “savings and loan
4 association”, “trust corporation”, “trust company” or words of similar import or transact in any
5 manner the business of any such bank, corporation or association. (6)

6 **SEC. 63. *Service Fees.***—The Bangko Sentral may charge equitable rates,
7 commissions or fees, as may be prescribed by the Monetary Board for supervision,
8 examination and other services which it renders under this Act. (n)

9 **SEC. 64. *Penalty for Violation of this Act.***—Unless otherwise herein provided, the
10 violation of any of the provisions of this Act shall be subject to Sections 34, 35, 36 and 37 of the
11 New Central Bank Act. If the offender is a director or officer of a bank, quasi-bank or trust
12 entity, the Monetary Board may also suspend or remove such director or officer. If the violation
13 is committed by a corporation, such corporation may be dissolved by quo warranto proceedings
14 instituted by the Solicitor General (87)

15 **CHAPTER V. Placement Under Conservatorship**

16 **SEC. 65. *Conservatorship.***—The grounds and procedures for placing a bank under
17 conservatorship, as well as, the powers and duties of the conservator appointed for the
18 bank shall be governed by the provisions of Section 29 and the last two paragraphs of
19 Section 30 of the New Central Bank Act: *Provided*, That this Section shall also apply to
20 conservatorship proceedings of quasi-banks. (n)

21 **CHAPTER VI. Cessation of Banking Business**

22 **SEC. 66. *Voluntary Liquidation.***—In case of the voluntary liquidation of any bank
23 organized under the laws of the Philippines, or of any branch or office in the Philippines of a
24 foreign bank, written notice of such liquidation shall be sent to the Monetary Board before such
25 liquidation is undertaken, and the Monetary Board shall have the right to intervene and take such
26 steps as may be necessary to protect the interests of creditors. (86)

27 **SEC. 67. *Receivership and Involuntary Liquidation.***—The grounds and procedures
28 for placing a bank under receivership or liquidation, as well as the powers and duties of the
29 receiver or liquidator appointed for the bank shall be governed by the provisions of
30 Sections 30, 31, 32, and 33 of the New Central Bank Act: *Provided*, That the petitioner or

1 plaintiff files with the clerk or judge of the court in which the action is pending a bond,
2 executed in favor of the Bangko Sentral, in an amount to be fixed by the court: *Provided,*
3 *further,* That the restraining order or injunction shall be refused or if granted, shall be
4 dissolved upon filing by the Bangko Sentral of a bond, which shall be in the form of cash or
5 Bangko Sentral cashier's check, in an amount twice the amount of the bond of the
6 petitioner or plaintiff conditioned that it will pay the damages which the petitioner or
7 plaintiff may suffer by the refusal or the dissolution of the injunction. That this Section
8 shall also apply to the extent possible to the receivership and liquidation proceedings of
9 quasi-banks. (n)

10 **SEC. 68. *Penalty for Transactions After a Bank Becomes Insolvent.***—Any director or
11 officer of any bank who receives or permits or causes to be received in said bank any deposit, or
12 who pays out or permits or causes to be transferred any funds of said bank, or who transfers or
13 permits or causes to be transferred any securities or property of said bank, after said bank has
14 been declared insolvent by the Monetary Board shall be subject to Sections 36 and 37 of The
15 New Central Bank Act. (85a)

16 **CHAPTER VII. Laws Governing Other Types of Banks**

17 **SEC. 69. *Other Banking Laws.*** —The organization, ownership and capital requirements,
18 powers, supervision and general conduct of business of thrift banks, rural banks and cooperative
19 banks shall be governed by the provisions of the Thrift Banks Act, the Rural Banks Act, and the
20 Cooperative Code, respectively.

21 The provisions of this Act, however, insofar as they are not in conflict with the provisions
22 of the Thrift Banks Act, the Rural Banks Act, and the Cooperative Code shall likewise apply to
23 thrift banks, rural banks, and cooperative banks, respectively. However, for purposes of
24 prescribing the minimum ratio which the combined capital accounts of a thrift bank must bear to
25 its total risk assets, the provisions of Section 36 of this Act shall govern. (n)

26 **CHAPTER VIII. Foreign Banks**

27 **SEC. 70. *Transacting Business in the Philippines.***—The entry of foreign banks in the
28 Philippines through the establishment of branches shall be governed by the provisions of the
29 Foreign Banks Liberalization Act.

1 The conduct of offshore banking business in the Philippines shall be governed by the
2 provisions of the Presidential Decree No. 1034, otherwise known as the “Offshore Banking
3 System Decree.” (14a)

4 **SEC. 71. *Acquisition of Voting Stock in a Domestic Bank.***—Subject to guidelines
5 provided under Section 3 of the Foreign Banks Liberalization Act, the Monetary Board may
6 authorize a foreign bank to acquire up to one hundred percent (100%) of the voting stock of only
7 one (1) bank organized under the laws of the Republic of the Philippines: *Provided*, That the
8 Monetary Board may authorize any foreign bank, which prior to the effectivity of this Act has
9 availed itself of the privilege to acquire up to sixty percent (60%) of the voting stock of a bank
10 under the Foreign Banks Liberalization Act and the Thrift Banks Act, to further acquire voting
11 shares of such bank to the extent necessary for it to own one hundred percent (100%) of the
12 voting stock thereof.

13 In the exercise of this authority, the Monetary Board shall adopt measures as may be
14 necessary to ensure that at all times the control of seventy percent (70%) of the resources or
15 assets of the entire banking system is held by banks which are at least majority-owned by
16 Filipinos.

17 Any right, privilege or incentive granted to a foreign bank under this Section shall be
18 equally enjoyed by and extended under the same conditions to banks organized under the laws of
19 the Republic of the Philippines. (Secs. 2 and 3, RA 7721)

20 **SEC. 72. *Local Branches of Foreign Banks.***—In the case of a foreign bank which has
21 more than one (1) branch in the Philippines, all such branches shall be treated as one (1) unit for
22 the purpose of this Act, and all references to the Philippine branches of foreign banks shall be
23 held to refer to such units. (68)

24 **SEC. 73. *Head Office Guarantee.***—In order to provide effective protection of the
25 interests of the depositors and other creditors of Philippine branches of a foreign bank, the head
26 office of such branches shall fully guarantee the prompt payment of all liabilities of its
27 Philippine branch. (69)

28 Residents and citizens of the Philippines who are creditors of a branch in the Philippines
29 of a foreign bank shall have preferential rights to the assets of such branch in accordance with
30 existing laws. (19)

1 **SEC. 74. *Summons and Legal Process.***—Summons and legal process served upon the
2 Philippine agent or head of any foreign bank designated to accept service thereof shall give
3 jurisdiction to the courts over such bank, and service of notices on such agent or head shall be as
4 binding upon the bank which he represents as if made upon the bank itself.

5 Should the authority of such agent or head to accept service of summons and legal
6 processes for the bank or notice to it be revoked, or should such agent or head become mentally
7 incompetent or otherwise unable to accept service while exercising such authority, it shall be the
8 duty of the bank to name and designate promptly another agent or head upon whom service of
9 summons and processes in legal proceedings against the bank and of notices affecting the bank
10 may be made, and to file with the Securities and Exchange Commission a duly authenticated
11 nomination of such agent.

12 In the absence of the agent or head or should there be no person authorized by the bank
13 upon whom service of summons, processes and all legal notices may be made, service of
14 summons, processes and legal notices may be made upon the Bangko Sentral Deputy Governor
15 In-Charge of the supervising and examining departments and such service shall be as effective as
16 if made upon the bank or its duly authorized agent or head.

17 In case of service for the bank upon the Bangko Sentral Deputy Governor In-charge of
18 the supervising and examining departments, the said Deputy Governor shall register and transmit
19 by mail to the president or the secretary of the bank at its head or principal office a copy, duly
20 certified by him, of the summons, process, or notice. The sending of such copy of the summons,
21 process, or notice shall be a necessary part of the services and shall complete the service. The
22 registry receipt of mailing shall be *prima facie* evidence of the transmission of the summons,
23 process or notice. All costs necessarily incurred by the said Deputy Governor for the making
24 and mailing and sending of a copy of the summons, process, or notice to the president or the
25 secretary of the bank at its head or principal office shall be paid in advance by the party at whose
26 instance the service is made. (17)

27 **SEC. 75. *Revocation of License of a Foreign Bank.***—The Monetary Board may revoke
28 the license to transact business in the Philippines of any foreign bank, if it finds that the foreign
29 bank is insolvent or in imminent danger thereof or that its continuance in business will involve
30 probable loss to those transacting business with it. After the revocation of its license, it shall be

1 **SEC. 79. *Registration of Articles of Incorporation and By-Laws of a Trust Entity.***—

2 The Securities and Exchange Commission shall not register the articles of incorporation and by-
3 laws or any amendment thereto, of any trust entity, unless accompanied by a certificate of
4 authority issued by the Bangko Sentral. (n)

5 **SEC. 80. *Minimum Capitalization.***—A trust entity, before it can engage in trust or
6 **other fiduciary business, shall comply with the minimum paid-in capital requirement**
7 **which will be determined by the Monetary Board.** (n)

8 **SEC. 81. *Powers of a Trust Entity.***—A trust entity, in addition to the general powers
9 incident to corporations, shall have the power to:

10 81.1. Act as trustee on any mortgage or bond issued by any municipality, corporation, or
11 any body politic and to accept and execute any trust consistent with law;

12 81.2. Act under the order or appointment of any court as guardian, receiver, trustee, or
13 depository of the estate of any minor or other incompetent person, and as receiver and depository
14 of any moneys paid into court by parties to any legal proceedings and of property of any kind
15 which may be brought under the jurisdiction of the court;

16 81.3. Act as the executor of any will when it is named the executor thereof;

17 81.4. Act as administrator of the estate of any deceased person, with the will annexed, or
18 as administrator of the estate of any deceased person when there is no will;

19 81.5. Accept and execute any trust for the holding, management, and administration of
20 any estate, real or personal, and the rents, issues and profits thereof; and

21 81.6. Establish and manage common trust funds, subject to such rules and regulations as
22 may be prescribed by the Monetary Board. (58)

23 **SEC. 82. *Deposit for the Faithful Performance of Trust Duties.***—Before transacting
24 trust business, every trust entity shall deposit with the Bangko Sentral as security for the faithful
25 performance of its trust duties, cash or securities approved by the Monetary Board in an amount
26 equal to not less than five hundred thousand pesos (P500,000.00) or such higher amount as may
27 be fixed by the Monetary Board: *Provided, however,* That the Monetary Board shall require
28 every trust entity to increase the amount of its cash or securities on deposit with the Bangko
29 Sentral whenever in its judgment such increase is necessary by reason of the trust business of
30 such entity: *Provided, further,* That the paid-in capital and surplus of such entity must be at least

1 equal to the amount required to be deposited with the Bangko Sentral in accordance with the
2 provisions of this paragraph. Should the capital and surplus fall below said amount, the
3 Monetary Board shall have the same authority as that granted to it under the provisions of the
4 fifth paragraph of Section 33 of this Act.

5 A trust entity so long as it shall continue to be solvent and comply with laws or
6 regulations shall have the right to collect the interest earned on such securities deposited with the
7 Bangko Sentral and, from time to time, with the approval of the Bangko Sentral, to exchange the
8 securities for others. If the trust entity fails to comply with any law or regulation, the Bangko
9 Sentral shall retain such interest on the securities deposited with it for the benefit of rightful
10 claimants.

11 All claims arising out of the trust business of a trust entity shall have priority over all
12 other claims as regards the cash or securities deposited as above provided. The Monetary Board
13 may not permit the cash or securities deposited in accordance with the provisions of this Section
14 to be reduced below the prescribed minimum amount until the depositing entity shall discontinue
15 its trust business and shall satisfy the Monetary Board that it has complied with all its obligations
16 in connection with such business. (65a)

17 **SEC. 83. *Bond of Certain Persons for the Faithful Performance of Duties.***—Before an
18 executor, administrator, guardian, trustee, receiver or depository appointed by the court enters
19 upon the execution of his duties, he shall, upon order of the court, file a bond in such sum as the
20 court may direct.

21 Upon the application of any executor, administrator, guardian, trustee, receiver,
22 depository or any other person in interest, the court may, after notice and hearing, order that the
23 subject matter of the trust or any part thereof be deposited with a trust entity. Upon presentation
24 of proof to the court that the subject matter of the trust has been deposited with a trust entity, the
25 court may order that the bond given by such persons for the faithful performance of their duties
26 be reduced to such sums as it may deem proper: *Provided, however,* That the reduced bond shall
27 be sufficient to secure adequately the proper administration and care of any property remaining
28 under the control of such persons and the proper accounting for such property.

29 Property deposited with any trust entity in conformity with this Section shall be held by
30 such entity under the orders and direction of the court. (59)

1 **SEC. 84. *Exemption of Trust Entity from Bond Requirement.***—No bond or other
2 security shall be required by the court from a trust entity for the faithful performance of its duties
3 as court-appointed trustee, executor, administrator, guardian, receiver, or depository. However,
4 the court may, upon proper application with it showing special cause therefor, require the trust
5 entity to post a bond or other security for the protection of funds or property confided to such
6 entity. (59)

7 **SEC. 85. *Separation of Trust Business from General Business.***—The trust business
8 and all funds, properties or securities received by any trust entity as executor, administrator,
9 guardian, trustee, receiver, or depository shall be kept separate and distinct from the general
10 business including all other funds, properties, and assets of such trust entity. The accounts of all
11 such funds, properties, or securities shall likewise be kept separate and distinct from the accounts
12 of the general business of the trust entity. (61)

13 **SEC. 86. *Investment Limitations of a Trust Entity.***—Unless otherwise directed by the
14 instrument creating the trust, the lending and investment of funds and other assets acquired by a
15 trust entity as executor, administrator, guardian, trustee, receiver or depository of the estate of
16 any minor or other incompetent person shall be limited to loans or investments as may be
17 prescribed by law, the Monetary Board or any court of competent jurisdiction. (63a)

18 **SEC. 87. *Real Estate Acquired by a Trust Entity.***—Unless otherwise specifically
19 directed by the trustor or the nature of the trust, real estate acquired by a trust entity in whatever
20 manner and for whatever purpose, shall likewise be governed by the relevant provisions of
21 Section 50 of this Act. (64a)

22 **SEC. 88. *Investment of Non-Trust Funds.***—The investment of funds other than trust
23 funds of a trust entity which is a bank, financing company or an investment house shall be
24 governed by the relevant provisions of this Act and other applicable laws. (64)

25 **SEC. 89. *Sanctions and Penalties.***—A trust entity or any of its officers and directors
26 found to have willfully violated any pertinent provisions of this Act, shall be subject to the
27 sanctions and penalties provided under Section 64 of this Act as well as Sections 36 and 37 of
28 the New Central Bank Act. (63)

1 and the application of such provision or section to other persons or circumstances, shall not be
2 affected thereby. (n)

3 **SEC. 95. *Effectivity Clause.***—This Act shall take effect fifteen (15) days following its
4 publication in the *Official Gazette* or in two (2) national newspapers of general circulation. (91)

5 Approved,

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