

BANKING LAWS

**AND OTHER LAWS
RELATING TO THE
PHILIPPINE
FINANCIAL SYSTEM**



**BANK OF THE PHILIPPINES
1982**

BANKING LAWS

AND OTHER LAWS RELATING TO THE PHILIPPINE FINANCIAL SYSTEM

A Compilation of Laws
Governing the Philippine Financial System,
Incorporating Amendments Approved or Issued
as of September 30, 1982



CENTRAL BANK OF THE PHILIPPINES
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CENTRAL BANK OF THE PHILIPPINES

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Chairman
Governor, Central Bank of the Philippines

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and Minister of Finance

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National Economic and Development Authority

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CENTRAL BANK OF THE PHILIPPINES

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FOREWORD

The structure of the Philippine financial system has grown significantly in size, complexity and sophistication during the last three decades.

As the economy developed and expanded during the period, so has the role of financial intermediation increased and grown in importance. The period has likewise seen the rise of new forms of financial intermediation specifically through the so-called money market.

Several legislative measures which created new types of banking institutions were enacted during the post-war years to fill the need as it arises. This in a way has resulted in a banking system that has become both complicated and fragmented.

To make possible the growth of a financial system that operates responsively to the needs of a developing economy, an overall review of the financial system was undertaken in 1971 and findings from said review formed the bases for what are now referred to as the 1972 financial reforms. Amendatory as well as new legislation governing the operations of commercial banks, thrift banks (savings and mortgage banks, private development banks and stock savings and loan associations) and rural banks, were enacted. These reforms strengthened the powers of the Central Bank as the principal agency charged with responsibility for the monetary, credit and financial system.

The decade of the 1970s saw a lot of changes which justified new issuances. A review of the Philippine financial system, eight years after the institution of the 1972 financial reforms, showed that improvements were again called for in the structure of the financial system. Thus, in 1980, the Batasang Pambansa enacted seven amendatory laws affecting the financial system. The most notable change brought about by the amendments is the introduction of the concept of universal banking, Philippine style, whereby enforced specialization is diminished and the concept of voluntary specialization, as well as greater efficiency and greater use of the economies of scale, is encouraged.

FOREWORD

In view of these numerous amendments to the laws governing the financial system which have made it increasingly difficult to keep track of, the Central Bank has decided to undertake a compilation of these laws. All amendments approved or issued as of September 30, 1982 have been incorporated in the various laws included in this compilation.

This publication is therefore intended to provide a handy reference to Central Bank officials and employees and to all other sectors actively involved or interested in the Philippine financial system.

JAIME C. LAYA
Governor

October 1, 1982

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P A R T I

BANKING LAWS

REPUBLIC ACT NO. 265^{*/}

AN ACT ESTABLISHING THE CENTRAL BANK OF THE PHILIPPINES, DEFINING ITS POWERS IN THE ADMINISTRATION OF THE MONETARY AND BANKING SYSTEM, AMENDING THE PERTINENT PROVISIONS OF THE ADMINISTRATIVE CODE WITH RESPECT TO THE CURRENCY AND THE BUREAU OF BANKING, AND FOR OTHER PURPOSES.

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

CHAPTER I. — ESTABLISHMENT AND ORGANIZATION OF THE CENTRAL BANK OF THE PHILIPPINES

ARTICLE I. — Creation, Responsibilities and Corporate Powers of the Central Bank

SECTION 1. Creation of the Central Bank. — There is hereby created a body corporate to be known as the Central Bank of the Philippines, which shall be governed by the provisions of this Act.

The capital of the Central Bank shall be ten billion (₱10,000,000,000) pesos, the initial subscription for which shall be appropriated from the assets of the Exchange Standard Fund, as provided in Section 134 of this Act.

SEC. 2. Responsibilities and objectives. — It shall be the responsibility of the Central Bank of the Philippines to administer the monetary, banking, and credit system of the Republic.

It shall be the duty of the Central Bank to use the powers granted to it under this Act to achieve the following objectives:

(a) Primarily to maintain internal and external monetary stability in the Philippines, and to preserve the international value of the peso and the convertibility of the peso into other freely convertible currencies; and

(b) To foster monetary, credit and exchange conditions conducive to a balanced and sustainable growth of the economy.

^{*/} — As amended by P.Ds. No. 72, 1007 and 1282, B.P. Blg. 67, and P.Ds. No. 1771 and 1827.

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SEC. 3. **Place of business.** — The Central Bank shall have its principal place of business in Metropolitan Manila, but may have such branches, agencies and correspondents in other places as are necessary for the proper conduct of its business.

SEC. 4. **Corporate Powers.** — The Central Bank is hereby authorized to adopt, alter, and use a corporate seal which shall be judicially noticed; to make contracts; to lease or own real and personal property, and to sell or otherwise dispose of the same; to sue and be sued; and otherwise to do and perform any and all things that may be necessary or proper to carry out the purposes of this Act.

The Central Bank may acquire and hold such assets and incur such liabilities as result directly from operations authorized by the provisions of this Act, or as are essential to the proper conduct of such operations.

The Central Bank may compromise, condone or release, in whole or in part, any claim of or settled liability to the Bank, regardless of the amount involved, under such terms and conditions as may be imposed by the Monetary Board to protect the interests of the Bank.

ARTICLE II. — The Monetary Board

SEC. 5. **Composition of the Monetary Board.** — The powers and functions of the Central Bank shall be exercised by a Monetary Board, which shall be composed of seven members, as follows:

(a) The Governor, who shall be the Chairman of the Monetary Board. The Governor shall be appointed for a term of six years by the President of the Philippines. Whenever the Governor is unable to attend a meeting of the Board, a Senior Deputy Governor shall act as Chairman.

(b) The Minister of Finance. Whenever the Minister of Finance is unable to attend a meeting of the Board, he shall designate a deputy minister to attend as his alternate;

(c) The Director General of the National Economic and Development Authority. Whenever the Director General is unable to attend a meeting of the Board, he shall designate a deputy director-general of the Authority to attend as his alternate;

(d) The Chairman of the Board of Investments. Whenever the Chairman of the Board of Investments is unable to attend a meeting of the Board, he shall designate a governor of the Board of Investments to attend as his alternate;

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(e) In lieu of any of the officials named in subsection (c) or (d) above, such head of any other financial or economic agency or department of the Government as the President of the Philippines may determine;

(f) Three part-time members from the private sector, to be appointed for terms of six years by the President: **Provided, however,** That the first members appointed under the provisions of this subsection shall have terms of office of two, four and six years, respectively.

In making appointments to the Monetary Board, the President of the Philippines shall base his selection on the integrity, experience and expertise of the appointee.

SEC. 6. Vacancies. — Any vacancy in the Monetary Board created by the death, resignation, or removal of an appointive member shall be filled by the appointment of a new member to complete the unexpired period of the term of the member concerned.

SEC. 7. Qualifications. — No person shall be appointed as member of the Monetary Board or as a deputy-governor of the Central Bank unless he be of good moral character and of unquestionable integrity and responsibility, and who is of recognized competence in economics, banking, finance, commerce, agriculture or industry: **Provided, however,** That the Governor and deputy-governors of the Central Bank must be of recognized competence in the field of banking: **Provided, further,** That the Governor and the members of the Monetary Board shall be natural-born Filipino citizens.

SEC. 8. Disqualifications. — None of the following may be a member of the Monetary Board or a deputy-governor of the Central Bank:

(a) Persons holding any public position or office, either by election or by appointment, except those holding academic positions and the **ex-officio** members and their respective alternates; and

(b) Directors, officers, employees, consultants, or stockholders of other banking or other financial institutions subject to supervision, regulation or examination by the Central Bank, except non-stock savings and loan associations and provident funds organized exclusively for employees of the Central Bank.

SEC. 9. Removal. — The President may remove any member of the Monetary Board for any of the following reasons:

(a) If the member is disqualified under the provisions of section 8 of this Act; or

(b) If the member is guilty of acts or operations which are of fraudulent or illegal character or which are manifestly opposed to the aims and interests of the Central Bank; or

(c) If the member no longer possesses the qualifications specified in section 7.

SEC. 10. Meetings. — The Monetary Board shall convene as frequently as is necessary to discharge its responsibilities properly, but shall meet at least once every two weeks. The Board may be convoked either by the Minister of Finance or by the Governor of the Central Bank.

The presence of four members shall constitute a quorum.

All decisions of the Monetary Board shall require the concurrence of at least four members, except in special cases where the provisions of other sections of this Act demand a greater majority.

SEC. 11. Attendance of the Senior Deputy-Governor and the Deputy-Governor for Economic Research. — The Senior Deputy-Governor of the Central Bank and the Deputy-Governor for Economic Research shall attend the meetings of the Monetary Board with the right to be heard but not to vote.

SEC. 12. Remuneration of members attending meetings of the Board. — The members of the Monetary Board or their respective substitutes, except the Governor and the Senior Deputy Governor, shall receive a per diem for every Board meeting attended. The amount of per diem shall be set by the President (Prime Minister) but may not exceed five hundred (P500) pesos nor the sum of five thousand (P5,000) pesos for every single month.

SEC. 13. Withdrawal of persons having a personal interest. — Whenever any member attending a meeting of the Monetary Board has a personal interest, directly or indirectly, in the discussion or resolution of any given matter, said member shall not participate in the discussion or resolution of the matter and must retire from the meeting during the deliberations thereon. The subject matter, when resolved, and the fact that a member had a personal interest in it, shall be made available to the public. The minutes of the meeting shall note the withdrawal of the member concerned.

SEC. 14. Exercise of authority. — In order to exercise the authority granted to it under this Act, the Monetary Board shall:

(a) Prepare and issue rules and regulations as it considers necessary for the effective discharge of the responsibilities and exercise of the powers assigned

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to the Monetary Board and to the Central Bank under this Act, and the rules and regulations issued shall be reported to the President (Prime Minister) and the Batasang Pambansa within fifteen days from the date of their issuance.

(b) Direct the management, operations, and administration of the Central Bank, reorganize its personnel, and issue such rules and regulations as it may deem necessary or convenient for this purpose. The legal units of the Central Bank shall be under the exclusive supervision and control of the Monetary Board, the provision of any law to the contrary notwithstanding.

(c) On the recommendation of the Governor, appoint, fix the remunerations and other emoluments, and remove personnel of the Central Bank, with the exception of the Governor, subject to pertinent civil service and compensation laws: **Provided**, That the Monetary Board shall have exclusive and final authority to promote, transfer, assign, or reassign personnel of the Central Bank and these personnel actions are deemed made in the interest of the service and not disciplinary, any provisions of existing law to the contrary notwithstanding: **Provided**, further, That the Monetary Board may delegate such authority to the Governor under such guidelines as it may determine; and

(d) Authorize such expenditures by the Central Bank as are in the interest of the effective administration and operations of the Bank in accordance with applicable laws and regulations.

SEC. 15. Responsibility. — Any member of the Monetary Board or officer or employee of the Central Bank who wilfully violates this Act or who is guilty of gross negligence in the performance of his duties shall be held liable for any loss or injury suffered by the Bank as a result of such violation or negligence. Similar responsibility shall apply to the disclosure of any information of a confidential nature about the discussions or resolutions of the Monetary Board, except as required in Section 13 of this Act, or about the operations of the Bank, and to the use of such information for personal gain or to the detriment of the Government, the Bank or third parties.

**ARTICLE III. — The Governor and Deputy-Governors of the
Central Bank**

SEC. 16. Powers and duties of the Governor. — The Governor shall be the chief executive of the Central Bank. His powers and duties shall be:

(a) To prepare the agenda for the meetings of the Monetary Board and to submit for the consideration of the Board the policies and measures which he believes to be necessary to carry out the purposes and provisions of this Act;

(b) To execute and administer the policies and measures approved by the Monetary Board;

(c) To direct and supervise the operations and internal administration of the Central Bank. The Governor may delegate certain of his administrative responsibilities to other officers of the Bank, subject to the rules and regulations of the Monetary Board; and

(d) To exercise such other powers as may be vested in him by the Monetary Board.

SEC. 17. Representation of the Monetary Board and the Central Bank.

— The Governor of the Central Bank shall be the principal representative of the Monetary Board and of the Bank, and in his capacity and in accordance with the instructions of the Monetary Board he shall be empowered:

(a) To represent the Monetary Board and the Central Bank in all dealings with other offices, agencies and instrumentalities of the Government and with all other persons or entities, public or private, whether domestic, foreign or international;

(b) To authorize, with his signature, contracts entered into by the Central Bank, notes and securities issued by the Bank, and the annual reports, balance sheets, profit and loss statements, correspondence and other documents of the Bank without the approval or the concurrence of any other agency of the Government. The signature of the Governor may be in facsimile wherever appropriate;

(c) To represent the Central Bank, either personally or through counsel, in any legal proceedings or action; and

(d) To delegate his power to represent the Bank, as provided in subsections (a), (b) and (c) of this section, to other officers of the Bank upon his own responsibility.

SEC. 18. Authority of the Governor in emergencies. — In the event of war or other emergencies which require immediate action and in which there is insufficient time to call a meeting of the Monetary Board, the Governor of the Central Bank, with the concurrence of the Minister of Finance or, in his absence, with the concurrence of any two other members of the Monetary Board, may decide any matter or take any action within the authority of the Board itself and may suspend any resolution or decision of the Board.

In such cases, the Governor shall call a meeting of the Monetary Board as soon as possible, in order to explain his action and the reasons for departing from