

THE GENERAL BANKING ACT

(Republic Act No. 337)¹

AN ACT REGULATING BANKS AND BANKING INSTITUTIONS AND FOR OTHER PURPOSES

Chapter I. -- TITLE AND DEFINITIONS

SECTION 1. The short title of this Act shall be "The General Banking Act."

SEC. 2. Only entities duly authorized by the Monetary Board of the Central Bank may engage in the lending of funds obtained from the public through the receipt of deposits of any kind, and all entities regularly conducting such operation shall be considered as banking institutions and shall be subject to the provisions of this Act, of the Central Bank Act, and of other pertinent laws. The terms "banking institutions" and "bank," as used in this Act, are synonymous and interchangeable and specifically include commercial banks, savings banks, mortgage banks, development banks, rural banks, stock savings and loan associations, and branches and agencies in the Philippines of foreign banks, hereinafter called Philippine branches.

The Monetary Board may regulate the activities of the persons and entities which act as agents of banks. In no case may the Monetary Board authorize the drawing of checks against deposits not maintained in banks or branches or agencies thereof. *(As amended by PD No. 71)*

SEC. 2-A. The following entities shall not be considered as banking institutions but shall be subject to regulation by the Monetary Board which may include, but need not be limited to, the imposition of net worth to risk assets ratios, reserve requirements, interest rate ceilings, methods of computation thereof, prescribing maximum charges which may be collected, minimum capitalization, and submission of statistical reports:

¹ As amended by RA 4879, RA 4910, PD 71, PD 515, PD 865-B, PD 1317, BP 61, PD 1795, PD 1828, RA 7656 and 7906. Read Sec. 14 of RA 7721 repealing and modifying some sections of this Act (p. 320).

- (a) Entities regularly engaged in the lending of funds or purchasing of receivables or other obligations with funds obtained from the public through the issuance, endorsement or acceptance of debt instruments of any kind for their own account, or through the issuance of certificates of assignment or similar instruments with recourse, trust certificates, or of repurchase agreements, whether any of these means of obtaining funds from the public is done on a regular basis or only occasionally;
- (b) Entities regularly engaged in the lending of funds which receive deposits only occasionally; and
- (c) Trust companies, building and loan associations, and non-stock savings and loan associations, but such non-deposit accepting entities shall continue to be supervised and regulated by the Monetary Board under the pertinent provisions of this Act, and/or Republic Act. Nos. 265,² as amended, and 3779.³ (*As added by BP Blg. 61, April 1, 1980.*)

SEC. 2-B. The operations and activities of non-bank financial intermediaries, except insurance companies, shall be subject to regulation by the Monetary Board which may include, but need not be limited to, the imposition of constraints covering the (a) minimum size of funds received, (b) methods of marketing and distribution, (c) terms and maturities of funds received, and (d) uses of funds:

Provided, however,

That if such entities are authorized by the Central Bank to perform quasi-banking functions, they may be further subject to regulation under Section 2-A of this Act. (*As added by BP Blg. 61*)

SEC. 2-C. The Monetary Board may, at its discretion, prescribe control ratios, ceilings, limitations, or other forms of regulation on the different types of [contingent] accounts of banking institutions and non-bank financial intermediaries performing quasi-banking functions; as well as prescribe ceilings on yields from the purchase of receivables or other obligations by such banking institutions and non-bank financial intermediaries, or exempt particular categories of transactions from such ceilings. (*As amended by PD No. 865-B, Dec. 31, 1975.*)

² Republic Act No. 7653 shall prevail.

³ Savings and Loan Association Act, now repealed by Sec. 30, Rep. Act No. 7906, Thrift Banks Act of 1995, and Sec. 30, Rep. Act No. 8367, Revised Non-Stock Savings and Loan Association Act of 1997.

SEC. 2-D. For purposes of Sections Two, Two-A, Two-B, and Two-C the following definition of terms shall apply:

- (a) "Public" shall mean twenty or more lenders.
- (b) "Quasi-banking functions" shall mean borrowing funds, for the borrower's own account, through the issuance, endorsement or acceptance of debt instruments of any kind other than deposits, or through the issuance of participations, certificates of assignment, or similar instruments with resource, trust certificates, or of repurchase agreements, from twenty or more lenders at any one time, for purposes of relending or purchasing of receivables and other obligations:

Provided, however,

That commercial, industrial, and other non-financial companies, which borrow funds through any of these means for the limited purpose of financing their own needs or the needs of their agents or dealers, shall not be considered as performing quasi-banking functions;

- (c) "Financial intermediaries" shall mean persons or entities whose principal functions include the lending, investing or placement of funds or evidences of indebtedness or equity deposited with them, acquired by them, or otherwise coursed through them, either for their own account or for the account of others;
- (d) "Regulation" shall mean the issuance of rules of rules of conduct or the establishment of modes or standards of operation for uniform application to all institutions or functions covered, taking into consideration in determining such coverage the distinctive character of the operations of institutions and the substantive similarities of specific functions to which such rules, modes or standards are to be applied:

Provided,

That, if the circumstances so warrant as determined by the Monetary Board, any of these institutions may be subject to special examination; and

- (e) Supervision shall include not only the issuance of rules, but also the overseeing to ascertain that regulations are complied with, investigating or examining to determine whether an institution is conducting its business on a sound financial basis, and inquiring into the solvency and liquidity of the institution. *(As added by PD No. 71)*

SEC. 3. Insurance companies are exempted from the provisions of this Act, but such companies shall present to the Central Bank such information, data or reports as the Monetary Board may require in order to ascertain the effects of the operations of insurance companies on the monetary, credit, and exchange situation in the Philippines.

SEC. 4. The determination of whether a person or an entity is (a) performing banking or quasi-banking functions; or (b) engaged in other types of financial intermediation shall be decided by the Monetary Board subject to judicial review. For the purpose of resolving such issue, the Monetary Board may, through the appropriate supervising department of the Central Bank, examine, inspect or investigate the books and records of such person or entity. The department head and the examiners of said appropriate supervising department are hereby authorized to administer oaths to any such person or director, officer or employees of any such entity and to compel the presentation or production of all books, documents, papers or records necessary in their judgment to ascertain the facts relative to the true functions and operations of such person or entity. Failure or refusal to comply with the required presentation or production of such books, documents, papers or records shall subject the persons responsible therefor to the penal sanctions provided under Section 34 of R.A. No. 265,⁴ as amended. Persons or entities found by the Monetary Board to be performing banking or quasi-banking functions without the required prior authorization of the Monetary Board may, in addition to the proceedings provided under Section 34 of Republic Act No. 265, as amended, be subject to the imposition of fine of not in excess of P500 per day reckoned from the date the unauthorized banking or quasi-banking functions were performed and may be referred to the Securities and Exchange Commission for the revocation of its license to do business. *(As amended by PD No. 1828, Jan. 16, 1981)*

SEC. 5. The following terms shall be held to be synonymous and interchangeable:

- (a) "Commercial bank" and "commercial banking corporation";
- (b) "Savings bank," "mortgage bank," and "savings and mortgage bank";
- (c) "Building and loan association" and "mutual building and loan association";
- (d) "Trust company" and "trust corporation";

⁴ Now Section 36, Rep. Act No. 7653.

- (e) "Foreign bank" and "foreign banking corporation"; and
- (f) "Unimpaired capital and surplus," "Combined capital accounts," and "Net worth," which terms shall mean, for the purposes of this Act, the total of the unimpaired paid-in capital, surplus; and undivided profits, net of such valuation reserves as may be required by the Central Bank. *(New subsection "f" added by PD No. 71)*

SEC. 6. No person, association, or corporation not conducting the business of a commercial banking corporation, trust corporation, savings and mortgage bank, development bank, rural bank, savings and loan association, or building and loan association, as defined in this Act, or other banking laws, shall advertise or hold itself out as being engaged in the business of such bank, corporation, or association, or use in connection with its business title the word or words "bank," "banking," "banker," "building and loan association," "savings and loan association," "trust corporation," "trust company," or words of similar import, or solicit or receive deposits of money for deposit, disbursement, safekeeping, or otherwise, or transact in any manner the business of any such bank, corporation or association, without having first complied with the provisions of this Act or other banking laws. For any violation of the provisions of this section by a corporation, the officers and directors thereof shall be jointly and severally liable. Any violation of the provisions of this section shall be punished by a fine of five hundred pesos for each day during which such violation is continued or repealed, and in default of the payment thereof, subsidiary imprisonment as prescribed by law. *(As amended by PD No. 71)*

SEC. 6-A. For the purposes of uniformity, simplicity and equality of treatment, banking institutions shall be classified into the following general categories: (a) Commercial banks, (b) Thrift banks, composed of (1) Savings and mortgage banks, (2) Stock savings and loan associations, and (3) Private development banks, and (c) Rural banks. Specialized and unique government. banks, such as the Development Bank of the Philippines and the Land Bank of the Philippines, are not covered by this classification, but shall be subject to supervision and regulation by the Central Bank pursuant to the provisions of Section 25 of R.A. No. 265.

The Monetary Board shall determine the proper classification of other types of banking institutions that may be established after the approval of this Act. *(As added by BP Blg. 61, April 1, 1980)*

SEC. 6-B. With prior approval of the Monetary Board, commercial banks, thrift banks and rural banks may establish branches, agencies, or extension offices, on a nationwide basis.

Notwithstanding the provisions of any law to the contrary, no government or private banks may open branches, agencies, or extension offices without prior approval of the Monetary Board. *(As added by BP Blg. 61)*

SEC. 6-C. The hours during which all banks, including their branches, agencies, and extension offices, shall transact business shall not be less than six (6) hours a day to be selected by the banking institution concerned between eight o'clock in the morning and eight o'clock in the evening, which time shall be reported to the Monetary Board:

Provided,

That banks may at their discretion and after prior notice to the Monetary Board, remain open beyond the minimum six (6) hours and for as long as they find it necessary even before eight o'clock in the morning or after eight o'clock in the evening for the purpose of servicing deposits and withdrawals:

Provided, further,

That other banking services may be extended beyond the minimum six (6) hours:

Provided, finally,

That the additional hours during which any of these other banking services may be conducted may be limited by regulation of the Monetary Board. *(As added by PD No. 71)*

SEC. 6-D. The Monetary Board may, at its discretion in specific cases where the circumstances so warrant, require a bank to engage the services of an independent auditor to be chosen by the bank concerned from a list of certified public accountants acceptable to the Monetary Board. The terms of the engagement shall be as prescribed by the Monetary Board which may either be on a continuing basis where the auditor shall act as a resident examiner; or on the basis of special engagements, but in any case, the independent auditor shall be responsible not only to the bank's board of directors, but to the Monetary Board as well:

Provided,

That nothing in this section shall be understood to preclude the Monetary Board from directing the board of directors of banking institutions and/or the individual members thereof, to conduct, either personally or by a committee created by the Board, an annual balance sheet audit of the bank, to review the internal audit and control system of the bank, and to submit a report of such audit. *(As added by PD No. 71)*

SEC. 6-E. The banking industry is hereby declared as indispensable to the national interest and, notwithstanding the provisions of any law to the contrary, any strike or lockout involving banks, if unsettled after seven (7) calendar days, shall be reported by the Central Bank to the President of the Philippines who shall immediately certify the same to the appropriate court, government agency or commission for resolution. In accordance with the provisions of Section 106 of R.A. No. 265,⁵ as amended, the Monetary Board may, at its direction, modify or set aside the penalties for reserve deficiencies accruing during the entire period, or part thereof, of any bank strike or lockout, or of any national emergency affecting bank operations. *(As added by PD No. 71)*

Chapter II.-ESTABLISHMENT OF DOMESTIC BANKS

SEC. 7. Domestic banking institutions, except building and loan associations, shall be organized in the form of stock corporations.

SEC. 8. No banking institutions shall issue no-par value stock. For the purpose primarily of determining the permanency of equity, the types of stock a banking institution may issue, including the terms thereof and the rights appurtenant thereto, shall be subject to such rules and regulations as the Monetary Board may prescribe, the provision of any law to the contrary notwithstanding. *(As amended by BP Blg. 61, April 1, 1980)*

SEC. 9. The Securities and Exchange Commissioner shall not register the articles of incorporation of any bank, or any amendment thereto, unless accompanied by a certificate of authority issued by the Monetary Board, under its official seal. Such certificate shall not be

⁵ Now Section 101, R.A. No. 7653.

issued unless the Monetary Board is satisfied from the evidence submitted to it: (a) that all the requirements of existing laws and regulations to engage in the business for which the applicant is proposed to be incorporated have been complied with; (b) that the public interest and economic conditions, both general and local, justify the authorization; and (c) that the amount of capital, the financing organization, direction and administration, as well as the integrity and responsibility of the organizers and administrators reasonably assure the safety of the interests which the public may entrust to them.

SEC. 9-A. In order to maintain the quality of bank management and afford better protection to depositors and the public in general, the Monetary Board may pass upon and review the qualifications of persons who are elected or appointed bank directors and officers and disqualify those found unfit. The Monetary Board shall prescribe the qualifications of bank directors and officers for purposes of this section. *(As added by PD No. 71)*

SEC. 10. The Securities and Exchange Commissioner shall not register the bylaws of any bank or banking institution, or any amendment thereto, unless accompanied by a certificate of the Monetary Board to the effect that such bylaws or amendment thereto are in accordance with law.

SEC. 11. After the approval of this Act, no bank which may be established and licensed to do business in the Philippines shall receive deposits, unless incorporated under the laws of the Republic of the Philippines:

Provided, however,

That this prohibition shall not apply to branches and agencies of foreign banks which, at the time of the approval of this Act, are actually receiving deposits:

And provided, further,

That, after the passage of this Act, all deposits so received by such branches and agencies of foreign bank shall not be invested in any manner outside the territorial limits of the Republic of the Philippines.

SEC. 12. At least seventy percent (70%) of the voting stock of any banking institution which may be established after the approval of this Act shall be owned by citizens of the Philippines, except where a new bank is established as a result of (a) The local incorporation of any of the existing branches or agencies of foreign banks in the Philippines pursuant to Section sixty-eight of this Act or (b) The consolidation of existing banks in any of which there are foreign owned voting stocks at the time of consolidation.

The computation of the minimum percentage of Filipino-owned voting stocks required herein shall be governed by the provisions of the second paragraph of Section twelve-A of this Act. The Monetary Board may, if the national interest so requires, set a higher percentage of Filipino-owned voting stocks in banking institutions that may be established after the approval of this Act. *(As added by PD No. 71)*

SEC. 12-A. The percentage of foreign-owned voting stocks in any domestic bank existing upon the effectivity of this Act, if such percentage is in excess of thirty percent (30%) of the voting stock of the bank, shall not be increased; but may be reduced, and, once reduced, shall not be increased thereafter beyond thirty percent (30%) of the voting stock of the bank. If the percentage of the foreign-owned voting stocks existing upon the effectivity of this Act is less than thirty percent (30%) of the voting stock of the bank, this percentage may be increased up to thirty percent (30%) of the voting stock of the bank with prior approval of the Monetary Board. These limitations on the increase of the percentage of foreign-owned voting stocks shall also apply to a merged or constituent bank arising from the merger or consolidation of domestic banks with foreign-owned voting stocks, and to a bank which has been established as a result of the local incorporation of a branch of agency of a foreign bank pursuant to Section sixty-eight of this Act.

Provided, however,

That the Monetary Board may, with the approval of the President of the Philippines, increase the percentage of foreign-owned voting stocks in any domestic bank prescribed in the preceding paragraph from thirty percent (30%) to forty per cent (40%).

The percentage of foreign-owned voting stocks in a bank shall be determined by the citizenship of the individual stockholders in that bank. In the case of corporations owning bank shares, the citizenship of each stockholder in that corporation shall be the basis of computing the percentage. In case the percentage of foreign-owned voting stocks in any domestic bank increases beyond that allowed under the first paragraph of this section, due to (a) A change in the citizenship of any stockholder of the bank or of any stockholder of a corporation owning shares of stock in that bank, and (b) A transfer to foreigners of Filipino-owned voting stocks in a corporation owning shares in the bank, the Monetary Board may, at its discretion, direct the bank concerned to take steps, within a reasonable period of time, to reduce the percentage of foreign-owned voting stocks in the bank to the original level before the increase.

Upon the effectivity of this Act, any sale or other forms of transfer of ownership of foreign-owned voting stocks in any domestic bank to other foreigners or entities with foreign-owned voting stocks, which sale shall raise the total of foreign-owned voting stocks thus sold or transferred from the effective date of this Act to more than forty percent (40%) of the bank's voting stocks shall be subject to prior approval of the Central Bank.

Banks with foreign-owned voting stocks shall report to the Central Bank any sale or other forms of transfer of ownership of these stocks for purposes of determining compliance with the limitations on the percentage of foreign-owned voting stocks in domestic banks. *(As added by PD No. 71)*

SEC. 12-B. The total voting stocks which any corporation, including its wholly or majority-owned subsidiaries, may own in any bank shall not exceed thirty percent (30%) of the voting stock of that bank. In the case of a corporation which is wholly owned, or the majority of the voting stock of which is owned by any one person or by persons related to each other within the third degree of consanguinity or affinity, that corporation may own not more than twenty percent (20%) of the voting stock of any bank. However, the aggregate corporate holdings in any single bank shall be without limit:

Provided,

That if two or more corporations are owned or controlled by the same group of persons, the aggregate voting stocks which these corporations may own in any single bank shall not exceed thirty percent (30%) of the voting stock of that bank:

Provided, further,

That if these corporations are owned or controlled by one person or group of persons related to each other within the third degree of consanguinity or affinity, the aggregate voting stocks which these corporations may own in any single bank shall not exceed twenty percent (20%) of the voting stock of that bank.

Any corporation owning more than thirty percent (30%) of the voting stock of any bank upon the effectivity of this Act shall not increase such equity holdings in that bank, but these holdings may be reduced, and, once reduced, shall not be increased thereafter beyond thirty percent (30%) of the voting stock of the bank.

The Monetary Board may, however, exempt voting stockholdings of corporations from the application of the above prescribed ceilings, in exceptional cases and when the circumstances warrant, such as but not limited to, purchases in the equity of distressed banks for purposes of rehabilitation. *(As added by PD No. 1828, Jan. 16, 1981)*

Banks shall report to the Central Bank any sale or other forms of transfer of ownership of their shares of stock by and between corporations, or individuals and corporations, for purposes of determining compliance with the limitations on bank equity holdings of corporations.

For the purposes of this section, the term "Corporation" shall include partnerships, cooperatives and associations. *(As added by PD No. 71)*

SEC. 12-C. A corporation organized primarily for the purpose of owning equity in thrift banks or rural banks may own more than thirty percent (30%) of the voting stock of a thrift bank and/or rural bank up to a majority or all of the equity thereof:

Provided,

That the acquisition of such equity is subject to the prior approval of the Monetary Board which shall promulgate appropriate guidelines to govern such investments:

Provided, further,

That the equity ownership of any individual, related group or corporation in the parent corporation owning more than thirty percent (30%) of the voting stock of the thrift bank or rural bank is in accordance with the provisions of Sections 12, 12-A, 12-B and 12-D of this Act:

Provided, finally,

That the parent company owning a majority or all of the equity in a bank may not engage in activities not allowed to the invested bank. *(As added by BP Blg. 61)*

SEC. 12-D. In order to promote the diffusion of bank ownership, especially of commercial banks, no new commercial bank shall be licensed to operate if the stockholdings of any person or persons related to each other within the third degree of consanguinity, or affinity, constitute more than twenty percent (20%) of the voting stock of new bank. This limitation, as well as the limitations established under Section Twelve-B of this Act, shall apply at all times to individual and corporate equity holdings in commercial banks that may be established hereafter.

Any person or persons with relations as specified in Section Twelve-D of this Act, or any corporation which is wholly-owned or the majority of the voting stock of which is owned by such person or persons, owning more than twenty percent (20%) of the voting stock of any bank upon the effectivity of this Act shall not increase these equity holdings in that bank, but these holdings may be reduced, and, once reduced, shall not be increased thereafter beyond twenty percent (20%) of the voting stock of the bank. *(As added by PD No. 71)*

The Monetary Board may, however, exempt voting stockholdings of any person, or persons related to each other within the third degree of consanguinity or affinity or corporations from the application of the above prescribed ceilings in exceptional cases and when the circumstances warrant, such as but not limited to, purchases in the equity of distressed banks for purposes of rehabilitation. *(As added by PD No 1828, Jan. 16, 1981)*

SEC. 12-E. To promote competitive conditions in financial markets, the Monetary Board may further limit the equity investments, direct or indirect, in banks and non-bank financial intermediaries performing quasi-banking functions. *(As added by BP Blg. 61)*

SEC. 13. At least two-thirds of the members of the board of directors of any bank or banking institution which may be established after the approval of this Act shall be citizens of the Philippines:

Provided,

That no appointive or elective public official, whether full-time or part-time, shall at the same time serve as officer of any private bank, except in cases where such service is incident to

financial assistance provided by the government or a government-owned or controlled corporation to the bank:

Provided, further,

That in the case of a bank merger or consolidation duly approved by the Monetary Board, the limitation on the number of directors in a corporation, as provided for in Section Fourteen of the Corporation Code of the Philippines, shall not be applied so that membership in the new board may include up to the total number of directors provided for in the respective articles of incorporation of the merging or consolidating banks. *(As amended by BP Blg. 61)*

Chapter III.-LICENSING OF FOREIGN BANKS

SEC. 14. No foreign bank or banking corporation formed, organized or existing under any laws other than those of the Republic of the Philippines shall be permitted to transact business in the Philippines, or maintain by itself or assignee any suit for the recovery of any debt, claims, or demand, whatsoever, until after it shall have obtained upon order of the Monetary Board, a license for that purpose from the Securities and Exchange Commissioner. Any officer, director or agent of any such corporation who transacts business in the Philippines without the said license shall be punished by imprisonment for not less than one year nor more than ten years and by a fine of not less than one thousand pesos nor more than ten thousand pesos.

For the issuance of such license to any foreign bank, the Securities and Exchange Commissioner shall collect a fee in proportion to the corporate capital to such bank in accordance with the schedule established in Section eight of Act Numbered Fourteen hundred and fifty-nine (the Corporation Law), as amended.⁶

No order for a license shall be issued by the Monetary Board unless and until it is convinced that the public interest and economic conditions, both general and local, justify the issuance of such order; that the foreign bank or banking corporation is solvent and in sound financial condition; and that a duly appointed agent in the Philippines has been authorized to accept summons and legal processes.

⁶ Now under Sec. 139 of the New Corporation Code, BP Blg. 68.

SEC. 14-A. Foreign banking institutions without branches in the Philippines, including (a) their wholly-or majority-owned subsidiaries, and (b) their holding companies having majority holdings in such foreign banking institutions, may invest, with prior approval of the Monetary Board, in equities of local companies engaged in financial allied undertakings under the same restrictions imposed on domestic banks of the same category, as provided for in Sections twenty-one-A and thirty-one of this Act or in other banking laws. In any case, the aggregate holdings of voting stocks of all foreign entities in any single domestic financial enterprise shall remain a minority participation in that enterprise.

With prior approval of the Central Bank, these foreign entities may also purchase equities in domestic banks:

Provided,

That their aggregate holdings of voting stocks shall remain at all times subject to the limitations prescribed in Section 12-A of this Act.

The foregoing limitations shall not apply either to international or regional inter-governmental financial organizations and their subsidiaries of which the Philippines is a member. (As added by *BP Big. 61*)

SEC. 15. No foreign building and loan association or building and loan association not formed, organized, or existing under the laws of the Philippines shall be permitted to transact business in the Philippines.

SEC. 16. The Monetary Board, by the affirmative vote of at least five of its members and with the approval of the President of the Philippines, may revoke the license to transact business in the Philippines of any foreign bank or banking corporation not formed, organized, or existing under the laws of the Philippines, if the said Board finds after due investigation at which such bank or banking corporation is given a chance to be heard by itself or counsel, that the foreign bank or banking corporation is in imminent danger of insolvency or that its continuance in business will involve probable loss to those transacting business with it. After the revocation of its license, it shall be unlawful for any such foreign bank or banking corporation to transact business in the Philippines unless its license is renewed or reissued. After the revocation of such

license the Solicitor General shall take such proceedings as may be proper to protect creditors of such foreign bank or banking institution and the public.

SEC. 17. Summons and legal process served upon the Philippine agent of any foreign banking corporation designated to accept service thereof shall give jurisdiction to the courts over such banking corporation, and service of notices on such agent shall be as binding upon the corporation which he represents as if made upon the corporation itself.

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

Should there be no person authorized by the corporation upon whom service of summons, processes, and all legal notices may be made, service of summons, processes and legal notices may be made upon the Superintendent of Banks and such service shall be as effective as if made upon the corporation or upon its duly authorized agent. In case of service for the corporation upon the Superintendent of Banks, the said Superintendent shall register and transmit by mail to the president or the secretary of the corporation as its head or principal office a copy, duly certified by him, of the summons, process, or notice. The sending of such copy of the summons, process, or notice shall be a necessary part of the service and shall complete the service. The registry receipt of mailing shall be prima facie evidence of the transmission of the summons, process or notice. All costs necessarily incurred by the said Superintendent for the making and mailing and sending a copy of the summons, process, or notice to the president or the secretary of the corporation at its head or principal office shall be paid in advance by the party at whose instance the service is made.

SEC. 18. In all matters not specifically covered by special provisions applicable only to foreign banks, or their branches and agencies in the Philippines, any foreign banking corporation or foreign bank not formed, organized, or existing under the laws of the Philippines but lawfully

doing business in the Philippines shall be bound by all laws, rules, and regulations applicable to domestic banking corporations of the same class, except such laws, rules and regulations as provide for the creation, formation, organization, or dissolution of corporations or as fix the relation, liabilities, responsibilities, or duties of members, stockholders, or officers of corporations, to each other or to the corporation.

SEC. 19. Residents and citizens of the Philippines who are creditors of a branch or agency in the Philippines of a foreign bank or banking corporation shall have preferential rights to the assets of such branch or agency.

Chapter IV.-COMMERCIAL BANKING CORPORATIONS

SEC. 20. A commercial bank shall be a corporation primarily organized for the purpose of performing the functions provided in Section 31 of this Act and of accepting or creating demand deposits subject to withdrawal by check. *(As amended by PD No. 1317, March 29, 1978)*

SEC. 20-A. Any provision of law to the contrary notwithstanding, commercial banking corporations may fix the number of their directors at any number not less than five (5) nor in excess of fifteen (15). *(Added by PD No. 515)*

SEC. 21. A commercial banking corporation, in addition to the general powers incident to corporations, shall have all such powers as shall be necessary to carry on the business of commercial banking, by accepting drafts and issuing letters of credit, by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debts; by receiving deposits; by buying and selling foreign exchange and gold or silver bullion, and by lending money against personal security or against securities consisting of personal property of mortgages, on improved real estate and the insured improvements thereon.

Commercial banks may acquire readily marketable bonds and other debt securities subject to such rules as the Monetary Board may promulgate. These rules may include, but need

not be limited to, the determination of bonds and other debt securities eligible for investment, the maturities and aggregate amount of such investment. *(As amended by BP Blg. 61)*

SEC. 21-A. Commercial banks, including Government banks and foreign banks with existing local branches, may invest in equities of the following allied undertakings; warehousing companies, leasing companies, storage companies, safe deposit box companies, companies engaged in the management of mutual funds but not in the mutual funds themselves, banks, and such other similar activities as the Monetary Board may declare as appropriate from time to time: Provided,

That (a) the total investment in equities shall not exceed twenty-five percent (25%) of the net worth of the bank; (b) the equity investment in any one enterprise shall not exceed fifteen percent (15%) of the net worth of the bank; (c) the total equity investment of the bank in any single enterprise shall remain a minority holding in that enterprise, except as provided in Section 21-C of this Act or where the enterprise is a non-financial allied undertaking; and (d) the equity investment in other banks shall be deducted from the investing bank's net worth for purposes of computing the prescribed ratio of net worth to risk assets. Equity investments shall not be permitted in non-related activities.

Where the allied undertaking is a wholly- or majority-owned subsidiary of the bank, the Central Bank may subject it to examination. *(As amended by BP Blg. 61)*

SEC. 21-B. The provisions in this or in any other Act to the contrary notwithstanding, the Monetary Board, whenever it shall deem appropriate and necessary to further national development objectives or support national priority projects, may authorize a commercial bank, a bank authorized to provide commercial banking services, as well as a government-owned and controlled bank, to operate under an expanded commercial banking authority and by virtue thereof exercise, in addition to powers authorized for commercial banks, the powers of an Investment House as provided in PD No. 129, invest in the equity of a non-allied undertaking, or own a majority or all of the equity in a financial intermediary other than a commercial bank or a bank authorized to provide commercial banking services: Provided,

That (a) the total investment in equities shall not exceed fifty percent (50%) of the net worth of the bank; (b) the equity investment in any one enterprise whether allied or non-allied shall not exceed fifteen percent (15%) of the net worth of the bank; (c) the equity investment of the bank, or of its wholly-or majority-owned subsidiary, in a single non-allied undertaking shall not exceed thirty-five percent (35%) of the total equity in the enterprise nor shall it exceed thirty-five percent (35%) of the voting stock in the enterprise; and (d) the equity investment in other banks shall be deducted from the investing bank's net worth for purposes of computing the prescribed ratio of net worth to risk assets.

In the exercise of the authority granted herein, the Monetary Board shall take into consideration the capability of the bank in terms of its past performance as a bank or as a financial intermediary, financial resources and technical expertise, and the investment of the bank shall be subject to such regulations as the Monetary Board may prescribe which may include but need not be limited to the categories of undertaking or projects that may be invested in by the bank directly or through its wholly-or majority-owned subsidiary or the extent of exposure in any of the activities authorized in this section.

Where the enterprise is wholly-or majority-owned by the bank, the Central Bank may subject it to examination.

In order to avoid undue concentration of economic power, the total equity investments of banks, quasi-banks and their subsidiaries in any single non-allied enterprise or industry may be subject to such limitations as may be prescribed by the Monetary Board, but shall in any case remain a minority in any such enterprise except as may be otherwise approved by the President. *(As amended by PD No. 1795, January 16, 1981)*

For the purpose of determining compliance with the limitations on equity holdings by a bank in a non-allied undertaking, the equity holdings of the bank in the undertaking, when combined with those of its directors, officers and substantial stockholders, and its wholly-or majority-owned subsidiaries shall not exceed the prescribed thirty-five percent (35%) of the equity of that undertaking. The same rule shall be observed in the case of an equity investment by a subsidiary wholly-or majority-owned by the bank, where the investors in the undertaking consist of the subsidiary, the bank which owns the majority or all of the equity of the subsidiary, the officers, directors and substantial stockholders of the bank, as well as those of the subsidiary.

The regulations issued by the Monetary Board to implement the provisions of this Section and Section 21-C of this Act shall be reported to the President and to the Congress within fifteen days from the date of their issuance. Such regulations shall be published in the newspaper of general circulation. *(As added by BP Blg. 61, April 1, 1980)*

SEC. 21-C. The provisions of this Act or of any other Act to the contrary notwithstanding, a commercial bank or any bank authorized to provide commercial banking services, or to operate under an expanded commercial banking authority, may own more than thirty percent (30%) of the voting stock of a thrift bank or a rural bank up to a majority or all of the equity thereof. Provided,

That the acquisition of such equity or equities is subject to the prior approval of the Monetary Board which shall promulgate appropriate guidelines to govern such investments:

Provided, further,

That the equity ownership of any individual, related group or corporation in the investing bank is in accordance with the provisions of Sections 12, 12-A, 12-B and 12-D of this Act:

Provided, finally,

That the equity investment in other banks shall be deducted from the investing bank's net worth for purposes of computing the prescribed ratio of net worth to risk assets. *(As added by BP Blg. 61)*

Any of these entities owning or controlling the whole or majority of the voting stock of a thrift bank and/or rural bank may be required to submit statements of condition and other reports necessary to determine compliance with the provisions of this Section and the pertinent laws and rules and regulations, and subjected to special examination or investigation. *(As added by PD No. 1795)*

SEC. 21-D. The Monetary Board is hereby authorized to take such measures as may be necessary, when the expanded commercial banking authority permitted under the provisions of this Act would result in an undue concentration of economic power in one or more financial institutions or in corporations, partnerships, groups or individuals with related interest. *(As added by BP Blg. 61)*

SEC. 22. The combined capital accounts of each commercial bank shall not be less than an amount equal to ten percent (10%) of its risk assets which is defined as its total assets minus the following assets:.

- (a) Cash on hand;
- (b) Amounts due from the Central Bank;
- (c) Evidences of indebtedness of the Republic of the Philippines and of the Central Bank, and any other evidences of indebtedness or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;
- (d) Loans to the extent covered by hold-out on, or assignment of, deposits maintained in the lending bank and held in the Philippines;
- (e) Loans or acceptances under letters of credit to the extent covered by marginal deposits; and
- (f) Other non-risk items which the Monetary Board may, from time to time, authorize to be deducted from total assets.

The Monetary Board shall prescribe the manner of determining the total assets of banking institutions for the purposes of this Section. *(As amended by PD No. 1795)*

The Monetary Board may, consistent with prudent banking and the general economic conditions obtaining at the time, prescribe ratios of net worth to risk assets lower than that hereinabove prescribed:

Provided,

That such ratios shall not be less than five percent (5%):

Provided, further,

That the reduction from the ratio will apply uniformly to all banks, regardless of category, beyond a certain minimum size with respect to the level of their capital accounts:

Provided, finally,

That the Monetary Board may subsequently raise a ratio but any such upward adjustment shall be made effective only after a reasonable period of time. The Monetary Board may, at its discretion, require that the ratio of net worth to risk assets be determined on the basis of the combined risk assets of the parent bank and its subsidiaries, financial or otherwise.

Whenever the capital accounts of a bank are deficient with respect to the requirements of this Act, the Monetary Board, after considering a report of the appropriate supervising department on the state of solvency of the institution concerned, shall limit or prohibit the distribution of net profits and shall require that part of all of net profits be used to increase the capital accounts of the institution until the minimum requirement has been met. The Monetary Board may, furthermore, after considering the aforesaid report of the appropriate supervising department and if the amount of the deficiency justifies it, restrict or prohibit the making of new investments of any sort by the bank, with the exception of purchases of readily marketable evidences of indebtedness included under subsection (c) of this Section, until the minimum required capital ratio has been restored.

Where in the process of a bank merger or consolidation, the merged or constituent bank may not be able to comply fully with the net worth to risk assets ratio herein prescribed, the Monetary Board may, at its discretion, temporarily relieve the bank from full compliance with this requirement under such conditions as it may prescribe. *(As amended by BP Blg. 61)*

SEC. 23. Except as the Monetary Board may otherwise prescribe, the total liabilities of any person, company, corporation or firm, to a commercial banking corporation for money borrowed, excluding (a) loans secured by obligations of the Central Bank or of the Philippine Government; (b) loans fully guaranteed by the government as to the payment of principal and interest; (c) loans to the extent covered by holdout on, or assignment of, deposits maintained in the lending bank and held in the Philippines; (d) loans and acceptances under letters of credit to the extent covered by margin deposits; and (e) other loans or credits which the Monetary Board may, from time to time, specify as non-risk assets, shall at no time exceed fifteen percent (15%) of the unimpaired capital and surplus of such bank.

The total liabilities of any borrower may amount to a further fifteen percent (15%) of the unimpaired capital and surplus of such banking corporation provided the additional liabilities are adequately secured by shipping documents, warehouse receipts or other similar documents transferring or securing title covering readily marketable, nonperishable staples, which staples must be fully covered by insurance, and must have a market value equal to at least one hundred and twenty-five percent (125%) of such additional liabilities.

The term "liabilities," as used herein, shall mean the direct liability of the maker or acceptor of paper discounted with or sold to such bank and the liability of the indorser, drawer or guarantor who obtains a loan from or discounts paper with or sells papers under his guaranty to such bank and shall include in the case of liabilities of a co-partnership or association the liabilities of the several members thereof and shall include in the case of liabilities of a corporation, all liabilities of all subsidiaries thereof in which such corporation owns or controls a majority interest:

Provided,

That even if the parent corporation, co-partnership or association has no liability to the bank, the Monetary Board may prescribe the combination of the liabilities of subsidiary corporations or members of the co-partnership or association under certain circumstances, including but need not be limited to any of the following situations: (a) the parent corporation, co-partnership or association guarantees the repayment of the liabilities; (b) the liabilities were incurred for the accommodation of the parent corporation or another subsidiary or of the co-partnership or association; or (c) the subsidiaries through separate entities operate merely as departments or divisions of a single entity:

Provided, further,

That the discount of bills of exchange drawn in good faith against actually existing values, and the discount of commercial or business paper actually owned by the person negotiating the same, shall not be considered as money borrowed for the purpose of this Section:

Provided, finally,

That certain types of contingent liabilities of borrowers may be included among total liabilities as may be determined by the Monetary Board. *(As amended by PD No. 1795)*

Loan accommodations granted by commercial banks to any other bank, as well as deposits maintained by them in any bank licensed to do business in the Philippines, shall be subject to the loan limit to any single borrower as herein prescribed. *(As amended by BP Blg. 61)*

SEC. 24. No commercial bank shall make any loan or discount on the security of shares of its own capital stock, nor be the purchaser or holder of any such shares, unless such security or purchase be necessary to prevent loss upon a debt previously contracted in good faith, and the stock so purchased or acquired, for any other reason in the course of its operations, shall, within

six months from the time of its purchase or acquisition, be sold or disposed of at public or private sale, or in default thereof, a receiver shall be appointed to close up the business of the bank in accordance with law.

SEC. 25. Any commercial bank may purchase, hold, and convey real estate for the following purposes:

(a) Such as shall be necessary for its immediate accommodation in the transaction of its business:

Provided, however,

That the total investment in such real estate and improvements thereof, including bank equipment, shall not exceed fifty percent (50%) of net worth:

Provided, further,

That real estate used for the bank's purposes, owned by another corporation in which the bank owns equity, shall be considered as part of the bank's total investment in real estate;

(b) Such as shall be mortgaged to it in good faith by way of security for debts;

(c) Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings;

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

But no such bank shall hold the possession of any real estate under mortgage or trust deed, or the title and possession of any real estate purchased to secure any debt due to it, for a longer period than five years. *(As amended by PD No. 71)*

SEC. 26. The deposit liabilities of commercial banks, including the Philippine National Bank, shall be subject to the reserve requirements and other conditions prescribed by the Monetary Board in accordance with the authority granted to it under the provisions of the Central Bank Act.

SEC. 27. Any commercial bank organized under the laws of the Philippines may, with the prior approval of the Monetary Board, establish branches in the Philippines or branches and agencies

outside the Philippines, and the bank shall be responsible for all business conducted in such branches to the same extent and in the same manner as though such business had all been conducted in the head office.

For the purpose of this Act, a bank and its branches shall be treated as a unit. (*As amended by PD No. 71*)

SEC. 28. The Monetary Board, by the affirmative vote of at least five of its members, may compel the head office of any commercial bank organized under the laws of the Philippines to liquidate the business of any branch or agency if the business of such branch or agency is being conducted unlawfully or in a manner likely to prejudice the interests of the creditors of the branch or agency or of the head office.

Chapter V. - SAVINGS AND MORTGAGE BANKS

SECS. 29-38.⁷

Chapter VI. - BUILDING AND LOAN ASSOCIATIONS

SEC. 39. All corporations whose capital stock is required or is permitted to be paid in by the stockholders in regular, equal periodical payments and whose purpose is to accumulate the savings of its stockholders, to repay to said stockholders their accumulated savings and profits upon surrender of their shares, to encourage industry, frugality, and home building among its stockholders, and to loan its funds, and funds borrowed for the purpose, to stockholders on the security of unencumbered real estate and with the pledge of shares of the capital stock owned by such stockholders as collateral security, shall be known as building and loan associations, and the words "mutual building and loan association" shall form a part of the name of every such association.

⁷ Repealed by Sec. 30, RA No. 7906, the Thrift Banks Act of 1995, approved Feb. 23, 1995.

It shall be unlawful for any building and loan association to make any loan upon property that is suitable for use only as theatre, public hall, church, convent, school, club, hotel, garage, or other public building:

Provided, however,

That to facilitate the investment of the idle funds of a building and loan association, the Monetary Board may, in special instances, waive the provisions of this paragraph, in cases of public hall, school, hotel and other public buildings.

With the approval of the Monetary Board a building and loan association may also invest such of its funds as may otherwise remain idle, in bonds and obligations of the Republic of the Philippines, or of any of its political subdivisions, or of any government-owned or controlled corporation, including the Central Bank.

SEC. 40. The articles of incorporation shall state the purpose of the association as set forth in Section thirty-nine.

SEC. 41. Any person may become a stockholder of any building and loan association by subscribing for one or more shares therein and signing the bylaws of the association, following his signature with his post office address, but no member may borrow upon the security of real estate from any such association having assets of one hundred thousand pesos or more an amount in excess of ten percent (10%) of the total assets of the association, nor may any such association make a loan upon one piece of real estate amounting to more than ten percent (10%) of the total assets of the association. In the case of a building and loan association having assets amounting to less than one hundred thousand pesos, no loan to any one borrower and no loan upon any one piece of real estate shall exceed ten thousand pesos. The Monetary Board shall have power to issue regulations governing the manner of determining such assets as the basis for computing the foregoing limitations.

SEC. 42. The capital stock of such associations shall be paid in by the stockholders in regular, equal, periodical payments known as dues, at such times and in such amounts as shall be provided in the bylaws of the association. The dues on each share of stock subscribed for by a stockholder shall continue to be paid by the stockholder to the association until the share has

been duly withdrawn, cancelled, or forfeited or until the share has reached its matured value; that is to say, when the dues paid on each share and the net earnings thereof in accordance with the bylaws, shall amount to the matured value of the share, but such association may issue and sell paid-up stock for each and also investment stock to be paid in installments, and may pay to the holders of such paid-up stock out of the net profits such rates of dividends as may be fixed from time to time by the board of directors of the association, which shall be expressed in the stock certificates and shall not participate further in the profits or accretions of the association. Paid-up stock issued after the date when this Act shall become effective shall not be entitled to vote. The dividends payable upon such paid-up stock shall not be cumulative in the sense of being a charge upon the future earnings of the association should the earnings of the association not be sufficient in any particular year to meet the dividend requirements of such stock in that year. Either paid-up or investment stock may be surrendered by the holder at any time upon the giving of such notice as the association may require.

SEC. 43. The capital stock of every such association shall be divided into shares of the matured or par value of two hundred pesos each.

SEC. 44. Certificates of stock shall be issued to each stockholder upon the payment of the membership fee and first installment of the dues. The association may charge a membership or entrance fee not exceeding one peso on each share of stock issued and may also charge a transfer fee not exceeding twenty centavos on each share transferred, all of which shall be paid into the treasury and accounted for as funds of the association. Shares which have not been pledged as security for the payment of a loan shall be called "free shares," and shares which have been so pledged shall be called "pledged shares."

SEC. 45. Payment of dues on shares of stock shall commence from the time of issue of such shares.

SEC. 46. Whenever any stockholder shall be six months in arrears in the payment of his dues upon free shares, the secretary or clerk of the association shall give him notice in writing of his arrearages by mailing to him at the last post office address given by him to the association a

statement of all such arrearages. If the stockholder fails to pay within two months after receipt of such notice the full amount of his arrearages the board of directors may, at its option, declare his shares forfeited. At the time of the forfeiture the withdrawal value of the forfeited shares shall be determined and stated by the board of directors, and the defaulting stockholder shall be entitled to receive such value without interest upon such notice as is required of a withdrawing stockholder.

SEC. 47. When the stock shall have reached its matured value, payment of dues thereon shall cease and holders of such matured shares shall be paid out of the funds of the association the matured value of their shares with interest thereon at the rate prescribed in the bylaws, from the time the board of directors shall declare such shares to have matured until payment is made. The order of payment of matured shares shall be prescribed in the bylaws and at no time shall more than one-third of the receipts of the association be applied to the payment of matured shares without the consent of the board of directors and the approval of the Monetary Board:

Provided, however,

That if shares pledged to the association as security for loan shall mature before the loan is repaid the matured value may be credited to the loan. The withdrawal value of the pledged shares shall not be returned to the stockholders unless such value is applied in liquidation of the loan which the shares secure.

SEC. 48. By the affirmative vote of a majority of all its directors the association may borrow money for such temporary uses and purposes as the exigencies of the business may demand provided such action is consistent with the objects of the association. The aggregate amount of the outstanding indebtedness of any such association shall not at any time exceed fifty percent (50%) of its capital stock actually paid in:

Provided, however,

That such limitation shall not include indebtedness to the Central Bank.

SEC. 49. In addition to the other requirements established in this Act, every loan made by the association must be properly evidenced by a note or other instrument in writing and must be secured by a first mortgage or deed of trust on unencumbered real estate and also by the pledge

to the association of shares of stock of the association the matured value of which shall at least equal the amount loaned:

Provided, however,

That loans may be made on the security of free shares pledged to the association for the payment of the loan in case, at the time that the loan is made, the withdrawal value of such free shares under the bylaws shall exceed the amount borrowed and interest thereon for six months.

SEC. 50. In the discretion of the board of directors a loan may be repaid by the surrender of pledged shares whose withdrawal value equals the amount loaned and all interest and fines due thereon.

SEC. 51. The rates of interest on loans may be fixed in the bylaws or may be prescribed from time to time by the board of directors, subject to the provisions of the Usury Law⁸ and to any regulations which the Monetary board may issue with respect thereto.

SEC. 52. Whenever a borrowing stockholder shall be three months in arrears in the payment of his dues on stock or in the interest or premium or installments of premium on any loan, the whole loan, at the option of the board of directors, shall become due and payable and the board may proceed by action to enforce collection upon the securities held by the association. The withdrawal value of all shares pledged as collateral security at the time of the commencement of the action shall be applied to the payment of the loan, and such shares from the time of such application shall be deemed to be surrendered to the association.

SEC. 53. Mutual building and loan associations may purchase, hold, and convey real estate under the same conditions as those specified with reference to commercial banks in Section twenty-five of this Act. They may also acquire real estate for subdivision into residential lots, on each of which it must construct and erect a residential house for disposition by sale or lease exclusively to their members:

Provided,

⁸ Act No. 2655, as amended, post.

That each association shall not invest more than twenty-five percent (25%) of its paid-in capital and surplus in the acquisition of real estate for subdivision purposes:

Provided, further,

That a member of any building and loan association shall acquire not more than one residential lot, subdivided under this section:

Provided, finally,

That the acquisition and resale or lease of real estate as provided for in this section shall be subject to the approval of two-thirds of all the members of the. Board of Directors of the association. *(As amended by RA No. 4879, approved June 17, 1967)*

SEC. 54. Stockholders may surrender their shares and withdraw from the association after paying twelve monthly installments of dues upon giving sixty days' notice in writing to the board of directors, and the withdrawal value of such shares shall be the total sum of the dues paid thereon plus not less than ninety percent of all dividends earned by such shares up to the end of the last preceding fiscal period plus such interest for the time elapsed since the end of that period as shall be allowed by the board of directors. Stockholders who have not paid twelve monthly installments of dues may, after giving sixty days' notice in writing to the board of directors, surrender their shares and withdraw from the association, and the withdrawal value of such shares shall be the total sum of the dues paid thereon plus such dividend or interest as may be allowed by the board of directors. In no event, however, shall more than one-third of the total receipts of the association be paid in any one month to retire such shares. Payment for such surrendered shares shall be made in the order in which notices of withdrawal have been received by the board of directors:

Provided,

That should the business of the association during the period such withdrawing member has been a stockholder show a loss in excess of the reserve available for meeting such loss, the withdrawal value of such shares shall be charged with their proportion of such loss:

And provided, finally,

That any fines or charges lawfully chargeable against such shares may be deducted before making payment to the stockholder. Except in cases of voluntary or forced liquidation of a building and loan association or forfeitures as provided in Section forty-six of this Act, the board

of directors of such association shall not have power to force the surrender and withdrawal of unmatured shares.

SEC. 55. At least once a year the profits on all business transacted shall be determined by the board of directors and apportioned to all the shares in each series outstanding at the time of such apportionment on the basis of the actual value of such shares, as distinguished from their withdrawal value but in determining the profits which may be so apportioned, there shall be deducted from the gross earnings of the association all expenses and losses incurred in conducting its business. Five percent (5%) of the net earnings shall be credited to a reserve account until the reserve equals five percent (5%) of the total assets of the association. The reserve shall be maintained at five percent (5%) of the total assets and shall be available for meeting losses incurred by the association. The remainder of the net earnings shall be available for apportionment among the stockholders. In the event of the liquidation of a building and loan association there shall escheat to the State any part of the reserve remaining after charging off all losses and defraying all expenses of liquidation.

Chapter VII. - TRUST CORPORATIONS

SEC. 56. Any corporation formed or organized for the purpose of acting as trustee or administering any trust or holding property in trust or on deposit for the use, benefit, or behalf of others, shall be known as a trust corporation or company.

A trust company or any bank, authorized to engage in the business of a trust company pursuant to Section fifty-seven hereof, shall administer the funds or property under its custody with the skill, care, prudence and diligence necessary under the circumstances then prevailing that a prudent man, acting in like capacity and familiar with such matters, would exercise in the conduct of an enterprise of a like character and with similar aims.

No trust company or bank engaged in the business of a trust company shall, for the account of the trustor or the beneficiary of the trust, purchase or acquire property from, or sell, transfer, assign or lend money or property to, or purchase debt instruments of any of the departments, directors, officers, stockholders, or employees of the trust company or bank, or

relatives within the first degree of consanguinity or affinity, or the related interests, of such directors, officers and stockholders, unless the transaction is specifically authorized by the trustor and the relationship of the trustee and the other party involved in the transaction is fully disclosed to the trustor or beneficiary of the trust prior to the transaction. *(As amended by PD No. 1828, Jan. 16, 1981)*

The Monetary Board shall promulgate such rules and regulations as may be necessary to prevent circumvention of this prohibition or the evasion of responsibility herein imposed on trust companies. *(As amended by PD No. 71)*

SEC. 57. A trust company may, with the approval of the Monetary Board, do a commercial banking business but such business must be kept separate and distinct from its trust business. All relevant provisions of Chapter IV of this Act governing the business of commercial banking corporations shall be held to apply to the commercial banking activities of a trust company.

Any banking corporation may, with the approval of the Monetary Board, be authorized to engage in the business of a trust company, but shall be subject to the provisions of this Chapter as regards its trust business. *(As amended by PD No. 71)*

SEC. 58. A trust company, in addition to the general powers incident to corporations, shall have power:

- (a) To act as trustee on any mortgage or bond issued by any municipality, corporation, or any body politic and to accept and execute any other municipal or corporate trust not inconsistent with law;
- (b) To act under the order or appointment of any court of record as guardian, receiver, trustee or depository of the estate of any minor, insane person, idiot, habitual drunkard, or other incompetent or irresponsible person, and as receiver and depository of any moneys paid into court by parties to any legal proceedings and or property of any kind which may be brought under the jurisdiction of the court by proper legal proceedings;
- (c) To act as the executor of any last will or testament when it is named in the last will and testament as the executor thereof;
- (d) To act under appointment of a court of competent jurisdiction as administrator of the estate of any deceased person, with the will annexed, or as administrator of the estate of

any deceased person when there is no will, and when in either case there is no person qualified, competent, willing, able and entitled to accept such administration;

- (e) To accept and execute any legal trust confided to it by any court of record or by any person or corporation for the holding, management, and administration of any estate, real or personal, and the rents, issues, and profits thereof;
- (f) To establish and manage common trust funds, subject to such rules and regulations as may be prescribed by the Monetary Board. *(As added by PD No. 1828, Jan. 16, 1981)*

SEC. 59. Except as may otherwise be provided in this Act, no bond or other security shall be required from any trust company for the faithful performance of its duties as trustee, executor, administrator, guardian, receiver, or depositary:

Provided, however,

That the court officer appointing such company as trustee, executor, administrator, guardian, receiver, or depositary may, upon proper application, showing special cause therefor, require any corporation which shall seek to be or shall have been so appointed to give adequate security for the protection of the funds or property confided to the corporation and, upon failure of such corporation to give the security required, its appointment as trustee, executor, administrator, guardian, receiver or depositary shall be revoked.

The court shall require such trust company to make all reports, render all accounts, perform such duties, and do such acts as might be required by the court of a natural person acting as trustee, executor, administrator, guardian, receiver, or depositary.

SEC. 60. Upon the application of any executor, administrator, guardian, trustee, receiver, or depositary or any other person in interest, any court having jurisdiction over such officer, trustee, receiver, or depositary and over the subject matter of the trust or deposit may, upon such notice to the parties in interest as the court shall direct and after hearing the application and all parties in interest desiring to be heard, order said officer, receiver, trustee, or depositary to deposit with some trust company lawfully doing business in the Philippines the whole or any part of the moneys or personal property held by such officer, receiver, trustee, or depositary. Upon presentation to the court of the receipt or written acknowledgment of the trust company that the deposit of said moneys and personal property has been made in accordance with the order of the

court, the court may order that the bond given or required to be given by such officer, receiver or depositary for the faithful performance of his duties be reduced to such sum as the court may deem proper:

Provided, however,

That the reduced bond shall be sufficient to secure adequately the proper administration and care of any property remaining in the hands or under the control of such officer, trustee, receiver, or depositary, and the proper accounting for such property. Property deposited with any trust company in conformity with this section shall be held by said company under the orders and direction of the court.

SEC. 61. All moneys, properties, or securities received by any trust company as executor of the will of any deceased person or as administrator, with or without the will annexed, of the estate of any deceased person, or as guardian, receiver, trustee, or depositary, of the estate of any minor, insane person, idiot, habitual drunkard, or other incompetent or irresponsible person, or as receiver or depositary under and by virtue of any order of appointment of any court, or under any instrument constituting it as trustee shall be kept separate and distinct from all other funds, properties and assets of its general business. The accounts of all such moneys, properties, or securities shall likewise be kept separate and distinct from the accounts of its general business. *(As amended by PD No. 1828, Jan. 16, 1981.)*

SEC. 62. No trust company shall have the right to accept any trust whatever which it would be unlawful for any individual to make, accept, or execute, and it shall be the duty of a trust company, acting as trustee of any legal trust, to execute such trust in accordance with the lawful terms of the trust.

SEC. 63. The lending or investment of deposits or moneys received by any trust company as executor of the will of any deceased person or as administrator, with or without the will annexed, or as guardian, receiver, trustee, or depositary of the estate of any minor, insane person, idiot, habitual drunkard, or other incompetent or irresponsible person, or as receiver or depositary under and by virtue of any order or appointment of any court, or as trustee under any instrument in writing constituting the company as trustee, unless otherwise directed by the instrument

creating the trust, shall be limited to the loans and investments as may be prescribed by the Monetary Board. Any officer or director of any trust company authorizing or making any loan or security otherwise than as provided in this Section shall be punished by imprisonment of not less than one year nor more than ten years and by a fine of not less than one thousand nor more than ten thousand pesos. *(As amended by PD No. 1795)*

SEC. 64. The capital stock and funds of a trust company may be loaned or otherwise invested as its bylaws prescribe; if it does a commercial banking business in addition to its trust business, the investment of its funds other than trust funds shall be governed by the relevant provisions of Chapter IV of this Act.

Real estate acquired by a trust company, in whatever manner and for whatever purpose, shall likewise be governed by the relevant provisions of Section twenty-five of this Act.

SEC. 65. As security for the faithful performance of its trust duties, every trust company, before transacting trust business, shall carry on deposit with the Central Bank of the Philippines, cash or securities approved by the Monetary Board in an amount equal to not less than two hundred and fifty thousand pesos:

Provided, however,

That the Monetary Board shall require any trust company to increase the amount of its securities on deposit with the Central Bank whenever in the judgment of the Monetary Board such increase is necessary by reason of the growth of the trust business of the company:

And provided further,

That the paid-in capital and surplus of the company must be at least equal to the amount required to be deposited with the Central Bank in accordance with the provisions of this paragraph. Should the capital and surplus fall below said amount, the Monetary Board shall have the same authority as that granted to it under the provisions of the last paragraph of Section twenty-two of this Act.

A trust company, so long as it shall continue solvent and comply with the laws of the Philippines, shall have the right to collect the interest earned on any securities so deposited and, from time to time, with the approval of the Monetary Board, to exchange such securities for others.

All claims arising out of the trust business of a trust company shall have priority over all other claims as regards the securities deposited as above provided. The Monetary Board may not permit the securities deposited in accordance with the provisions of this section to be reduced below the minimum amount of two hundred and fifty thousand pesos until depositing company shall discontinue its trust business and shall satisfy the Monetary Board that it has complied with all of its obligations in connection with such business.

No assets held by a trust company in its capacity as trustee shall be subject to any claims other than those of the parties interested in the specific trusts.

SEC. 66. Every trust company, before the declaration of a dividend, shall carry to surplus ten percent (10%) of its net profits accruing since the last preceding dividend until the surplus shall amount to twenty percent (20%) of its authorized capital stock and no part of the surplus shall at any time be paid out in dividends, but losses accruing in the course of its business may be charged against the surplus.

In the case of a bank authorized to engage in trust operations, before the declaration of dividends, it shall carry to surplus ten percent (10%) of its net profits arising from its trust operations, accruing since the last preceding dividend until the surplus shall reach such amount as may be prescribed by the Monetary Board on the basis of the volume of its trust business and such other factors as may be considered by the Monetary Board.

Nothing herein contained shall prevent the accumulation of a larger surplus than that above prescribed should the directors so decide. *(As amended by PD No. 1828, Jan. 16, 1981)*

SEC. 67. The ordinary business of a trust company shall be transacted at the place of business specified in its article of incorporation. But any trust company may, with the prior approval of the Monetary Board, establish branches in the Philippines, and the said company shall be responsible for all business conducted in such branches to the same extent and in the same manner as though such business had all been conducted in the head office.

For the purpose of this Act, the company and its branches shall be treated as a unit.

Chapter VIII. - BRANCHES AND AGENCIES OF FOREIGN BANKS

SEC. 68. In the case of a foreign bank which has more than one branch or agency in the Philippines, all such branches and agencies shall be treated as a unit for the purpose of this Act, and all references to Philippine branches and agencies of foreign banks shall be held to refer to such units.

Any foreign bank presently having branches and agencies in the Philippines shall, within one year from the effectivity of this Act, comply with any of the following options: (a) incorporate its branch or branches into a new bank in accordance with Philippine laws, in which case at least sixty percent (60%) of the voting stock of the new bank shall be owned by citizens of the Philippines, or (b) assign capital permanently to the local branch with the concurrent maintenance of a "net due to" head office account which shall include all net amounts due to other branches outside the Philippines, in an amount which when added to the assigned capital shall at all times be not less than the minimum amount of capital accounts required for domestic commercial banks under Section twenty-two of this Act, or (c) maintain a "net due to" head office account which shall include all net amounts due to other branches outside the Philippines, in an amount which shall not be less than the minimum amount of capital accounts required for domestic commercial banks under Section twenty-two of this Act.

The "net due to" account under options (b) and (c) may be reduced correspondingly if the total risk assets of the branch are reduced:

Provided,

That the total account under option (c), and together with the assigned capital under option (b) meets the minimum capital accounts required under Section twenty-two of this Act:

Provided, further,

That in no case shall these amounts be less than the minimum capital requirement for new domestic commercial banks. The assigned capital and "net due to" account may be maintained in such types of assets and under such conditions as the Monetary Board may prescribe.

In case of noncompliance with any of the above options within a period of one year from the effectivity of this Act, the local branch involved shall be subject to the same penalties as may be imposed on a domestic commercial bank pursuant to the provisions of Section twenty-two of this Act. *(As amended by PD No. 71)*

SEC. 69. After one year from the effectivity of this Act, Philippine branches of foreign banks shall be subject to the provisions of Sections twenty-two and thirty of this Act.

In order to provide effective protection of the interests of the depositors and other creditors of Philippine branches of foreign banks, the head office of such branches shall fully guarantee the prompt payment of all liabilities of its Philippine branch. *(As amended by PD No. 71)*

The Monetary Board shall from time to time direct the Superintendent of Banks to make such investigations as it may deem necessary to ascertain that the aforesaid guarantee by the head office represents effective protection of the depositors and other creditors of the branch. Should the investigations of the Superintendent of Banks indicate that said guarantee is inadequate, the Monetary Board may take such measures as it is authorized to take in the case of capital deficiencies, under the provisions of the third paragraph of Section twenty-two of this Act. The Board may, further, as long as the guarantee of the head office is deemed inadequate, require the head office to assign to its Philippine branch an amount of capital sufficient to meet the minimum capital requirement established in Section twenty-two of this Act.

Nothing in this section shall be held to prevent a branch of a foreign bank from assigning capital to its Philippine branch, and from being governed by the provisions of Section twenty-two or thirty, as the case may be, instead of by the provisions of this section. In such cases, the term, "capital accounts" shall be held to include all net amounts due by the branch to its head office and to other branches thereof outside the Philippines.

SEC. 70. After one year from the effectivity of this Act, Philippine branches of foreign banks shall be subject to Sections twenty-three and thirty-two of this Act.

Nothing in this Act shall be construed as restricting in any manner loans made by the Philippine branch of foreign bank for the account of, and with funds supplied by, its head office or branches outside the Philippines, but the Monetary Board may require that all such loans be reported to it in accordance with such rules and regulations as it may issue on the subject. *(As amended by PD No. 71)*

Chapter IX. - GENERAL PROVISIONS

SEC. 71.⁹

SEC. 72. In addition to the operations specifically authorized elsewhere in this Act, banking institutions other than building and loan associations may perform the following services:

- (a) Receive in custody funds, documents, and valuable objects, and rent safety deposit boxes for the safeguarding of such effects;
- (b) Act as financial agent and buy and sell, by order of and for the account of their customers, shares, evidences of indebtedness and all types of securities;
- (c) Make collections and payments for the accounts of others and perform such other services for the customers as are not incompatible with banking business.
- (d) Upon prior approval of the Monetary Board, act as managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts. *(As added by PD No. 1828, Jan. 16, 1981)*

The banks shall perform the services permitted under subsections (a), (b) and (c) of this section as depositories or as agents. Accordingly, they shall keep the funds, securities and other effects which they thus receive duly separated and apart from the bank's own assets and liabilities.

The Monetary Board may regulate the operations authorized by this section in order to insure that said operations do not endanger the interests of the depositors and other creditors of the banks.

SEC. 72-A. Banking institutions other than commercial banks may, upon prior approval of, and subject to such conditions and rules as may be prescribed by, the Monetary Board, accept or create demand deposits subject to withdrawal by check. *(As added by PD No. 1317, March 29, 1978)*

⁹ Repealed by Section 28, Presidential Decree No. 71, promulgated November 29, 1972.

SEC. 73. Banking institutions shall not engage in insurance business as the insurer.

SEC. 74. No bank or banking institution shall enter, directly or indirectly, into any contract of guaranty or suretyship, or shall guarantee the interest or principal of any obligation of any person, co-partnership, association, corporation or other entity. The provisions of this section shall, however, not apply to the following: (a) borrowing of money by banking institution through the rediscounting of receivables; (b) acceptance of drafts or bills of exchange; (c) certification of checks; (d) transactions involving the release of documents attached to items received for collection; (e) letters of credit transaction, including stand-by arrangements; (f) repurchase agreements; (g) shipperside bonds; (h) ordinary guarantees or indorsements in favor of foreign creditors where the principal obligation involves loans and credits extended directly by foreign firms or persons to domestic borrowers for capital investment purposes; and (i) other transactions which the Monetary Board may, by regulation, define or specify as not covered by the prohibition. *(As amended by PD No. 71)*

SEC. 75. Banks shall grant loans only in the amounts and for the periods of time essential for the effective completion of the operations to be financed.

SEC. 76. Before granting a loan, banks must exercise proper caution to ascertain that the debtor is capable in fulfilling his commitments to the Bank.

Toward this end, banks may demand of their credit applicants a statement of their property and of their income and expenditures. Should such statement prove to be false or incorrect in any material detail, the bank may terminate any loan granted on the basis of said statement and shall have the right to demand immediate repayment of the obligation.

SEC. 77. The purpose of all loans shall be stated in the contract between the bank and the borrower. If the bank finds that the funds have been employed, without its approval, for purposes other than those agreed upon with the bank, the bank shall have the right to terminate the loan and demand immediate repayment of the obligation.

SEC. 78. Loans against real estate security shall not exceed seventy percent (70%) of the appraised value of the respective real estate security, plus seventy percent (70%) of the appraised value of the insured improvements, and such loans shall not be made unless title to the real estate shall be in the mortgagor. In the event of foreclosure, whether judicially or extrajudicially, of any mortgage on real estate which is security for any loan granted before the passage of this Act or under the provisions of this Act, the mortgagor or debtor whose real property has been sold at public auction, judicially or extrajudicially, for the full or partial payment of an obligation to any bank, banking or credit institution, within the purview of this Act shall have the right, within one year after the sale of the real estate as a result of the foreclosure of the respective mortgage, to redeem the property by paying the amount fixed by the court in the order or execution, or the amount due under the mortgage deed, as the case may be, with interest thereon at the rate specified in the mortgage, and all the costs, and judicial and other expenses incurred by the bank or institution concerned by reason of the execution and sale and as a result of the custody of said property less the income received from the property. However, the purchaser at the auction sale concerned in a judicial foreclosure shall have the right to enter upon and take possession of such property immediately after the date of the confirmation of the auction sale by the court and administer the same in accordance with law. *(As amended by PD No. 1828, Jan. 16, 1981)*

Similarly, loans on the security of chattels shall not exceed fifty percent (50%) of the appraised value of the security, and such loans shall not be made unless title to the chattels, free from all encumbrances, shall be in the mortgagor.

The Monetary Board may, by regulation, prescribe further security requirements to which the various types of bank credit shall be subject, and, in accordance with the authority granted to it in Section one hundred eleven¹⁰ of the Central Bank Act, the Board may by regulation reduce the maximum ratios established in the present section, or, in special cases, increase the maximum ratios established herein.

The Monetary Board may, similarly, in accordance with the authority granted to it in Section five -hundred eleven of the Central Bank Act, and taking into account the requirements of the economy for the effective utilization of long-term funds, prescribe the maturities, as well as related terms and conditions for various types of bank loans. Any change by the Board in the

¹⁰ Now Sec. 106, RA No. 7653, approved June 14, 1993.

maximum maturities shall apply to loans made after the date of such action. *(As amended by BP Blg. 61)*

SEC. 79. The amortization schedule of bank loans shall be adapted to the nature of the operations to be financed.

In the case of loans with maturities of more than three years, provision must be made for periodic amortization payments, but such payments must be made at least annually:

Provided, however,

That when the borrowed funds are to be used for purposes, which do not initially produce revenues adequate for regular amortization payments therefrom, the bank may permit the initial amortization payment to be deferred until such time as said revenues are sufficient for such purpose, but in no case shall the initial amortization date be later than three years from the date on which the loan is granted.

SEC. 80. Borrowers may at any time prior to the agreed maturity date prepay, in whole or in part, the unpaid balance of any bank loan.

SEC. 81. The Monetary Board may, by regulation, prescribe the conditions and limitations under which banks may grant extensions or renewals of their loans.

SEC. 82. Banks and banking institutions incorporated under the laws of the Philippines shall not advertise the amount of their authorized or subscribed capital stock without indicating, at the same time and with equal prominence, the amount of their capital actually paid-up.

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

SEC. 83. No director or officer of any banking institution shall, either directly or indirectly, for himself or as the representative or agent of others borrow any of the deposits of funds of such

bank, nor shall he become a guarantor, indorsor, or surety for loans from such bank to others, or in any manner be an obligor for moneys borrowed from the bank or loaned by it, except with the written approval of the majority of the directors of the bank, excluding the director concerned. And such approval shall be entered upon the records of the corporation and a copy of such entry shall be transmitted forthwith to the appropriate supervising department. The office of any director or officer of a bank who violates the provisions of this section shall immediately become vacant and the director or officer shall be punished by imprisonment of not less than one year nor more than ten years and by a fine of not less than one thousand nor more than ten thousand pesos.

The Monetary Board may regulate the amount of credit accommodations that may be extended, directly or indirectly, by banking institutions to their directors, officers, or stockholders. However, the outstanding credit accommodations which a bank may extend to each of its stockholders owning two percent (2%) or more of the subscribed capital stock, its directors, or its officers, shall be limited to an amount equivalent to the respective outstanding deposits and book value of the paid-in capital contribution in the bank:

Provided however,

That loans and advances to officers in the form of fringe benefits granted in accordance with rules and regulations as may be prescribed by Monetary Board shall not be subject to the preceding limitation. *(As amended by PD No. 1795)*

In addition to the conditions established in the preceding paragraph, no director of a building and loan association shall engage in any of the operations mentioned in said paragraphs, except upon the pledge of shares of the association having a total withdrawal value greater than the amount borrowed. *(As amended by PD No. 71)*

SEC. 84. If losses have at any time been sustained by any banking institution equal to or exceeding the undivided profits on hand, no dividend shall be declared; and no dividend shall ever be declared by any such bank while it continues in banking operations to an amount greater than its net profits then on hand, deducting therefrom its losses and bad debts. All debts due to any such bank on which interest is past due and unpaid for a period of six months, unless the same are well secured and in process of collection, shall be considered bad debts within the meaning of this section.

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

Writing-off of loans and advances with an outstanding amount of one hundred thousand pesos or more shall require prior approval of the Monetary Board. *(As amended by PD No. 71)*

SEC. 85. Any director or officer of any banking institution who receives or permits or causes to be received in said bank any deposit, or who pays out or permits or causes to be paid out any funds of said bank, or who transfers or permits or causes to be transferred any securities or property of said bank, said bank becomes insolvent, shall be punished by a fine of not less than one thousand nor more than ten thousand pesos and by imprisonment for not less than two nor more than ten years.

SEC. 86. In case of the voluntary liquidation of any bank or banking institution incorporated under the laws of the Philippines, or of any branch in the Philippines of a foreign bank or banking corporation, written notice of such liquidation shall be sent to the Monetary Board before such liquidation is undertaken, and the Monetary Board shall have the right to intervene and take such steps as may be necessary to protect the interests of the creditors.

SEC. 87. Unless otherwise herein provided, the violation of any of the provisions of this Act shall be punished by a fine of not more than two thousand pesos or by imprisonment for not more than two years, or by both. If the violation is committed by a corporation, the same shall, upon such violation being proved, be dissolved by *quo warranto* proceedings instituted by the Solicitor General:

Provided,

That nothing in this section shall be construed as repealing the other causes for the dissolution of corporations prescribed by existing law, and the remedy provided for in this section shall be considered as additional to the remedies already existing.

SEC. 87-A. A fine of not more than two thousand pesos or imprisonment for not more than one year, or both, in the discretion of the court, shall be imposed upon:

1. Any officer, employee, or agent of any banking institution who shall –
 - (a) Make false entries in any bank report or statement thereby affecting the financial interest of, or causing damage to, the bank or any person; or
 - (b) Without order of a court of competent jurisdiction, disclose to any unauthorized person any information relative to the funds or properties in the custody of the bank belonging to private individuals, corporations, or any other entity:
Provided,
That with respect to bank deposits, the provisions of Republic Act Numbered 1405 (Secrecy of Bank Deposits Law) shall prevail; or
 - (c) Accept gifts, fees or commission or any other form of remuneration in connection with the approval of a loan from said bank; or
 - (d) Overvalue or aid overvaluing any security for the purpose of influencing any way the actions of the bank on any ban;

2. Any borrower or a banking institution who shall –
 - (a) Fraudulently overvalue property offered as security for a loan from the bank; or
 - (b) Furnish false, or make willful misrepresentation of, material facts for the purpose of obtaining, renewing, or increasing a loan or extending the period thereof; or
 - (c) Attempt to defraud the said bank in the event of a court action to recover a loan; or
 - (d) Offer any officer, employee or agent of a bank any gift, fee, commission, or any other form of compensation in order to influence such bank personnel into approving a loan application; or

3. Any examiner, officer, or employee of the Central Bank of the Philippines or of any department, bureau, office, branch or agency of the Government who is assigned to examine, supervise, assist, or render technical assistance to any banking institution and who shall commit any of the acts enumerated in paragraph one this section or aid in the commission of the same.
(As added by PD No. 71)

Chapter X. – FINAL PROVISIONS

SEC. 88. All authority now vested in the Bank Commissioner and the Bureau of Banking with respect to the establishment, operation or liquidation of banking and credit institutions, and branches or agencies thereof, are hereby transferred to the Central Bank

SEC. 89. All authority now vested in the Secretary of Finance with respect to the establishment, operation or liquidation of banking and credit institutions, or branches or agencies thereof, shall be transferred to, and exercised by the Monetary Board of the Central Bank.

SEC. 90. Sections one hundred seventy-five to one hundred eighty-three, and one hundred ninety-nine to two hundred seventeen of the Code of Commerce, as amended; sections one hundred three to one hundred forty-six and one hundred seventy-one to one hundred ninety of Act Numbered Fourteen hundred and fifty-nine, as amended; Acts Numbered Thirty-one hundred and fifty-four and Thirty-five hundred and twenty, and all laws or parts thereof, including those parts of special charters of the Philippine National Bank and of other banking institutions in the Philippines which are inconsistent herewith, are hereby repealed.

SEC. 91. This Act shall take effect on the same day that the Central Bank commences operation.

Approved, July 24, 1948.