

AN ACT TO AMEND CERTAIN SECTIONS OF REPUBLIC ACT NUMBERED THREE THOUSAND SEVEN HUNDRED AND SEVENTY-NINE, OTHERWISE KNOWN AS THE SAVINGS AND LOAN ASSOCIATION ACT.

REPUBLIC ACT NO. 4378, June 19, 1965

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

SECTION 1. Paragraph (b) of Section four of Republic Act Numbered Three thousand seven hundred and seventy-nine is hereby amended to read as follows:

"(b) The Monetary Board shall fix the minimum paid-up capital of a savings and loan association organized as a stock corporation in such amount as said Board may consider necessary for the safe and sound operation of such association: Provided, however, That in no case shall such paid-up capital be less than one hundred thousand pesos: And provided, further, That at least sixty per centum of the capital stock of a savings and loan association which may be established after the approval of this Act shall be owned by citizens of the Philippines. Such association is authorized to receive deposits from, and extend loans to, the general public.

SEC. 2. Sections four-a and four-b, which read as follows, are hereby added after Section four of said Act:

"SEC. 4-a. Prohibition against inquiry into, or disclosure of deposits.—All deposits of whatever nature with savings and loan associations in the Philippines are hereby considered as of an absolutely confidential nature and may not be examined, inquired or looked into by any person, government official, bureau or office, except when the examination is conducted by the Monetary Board or the official of the Central Bank in charge of savings and loan associations or his deputies pursuant to the provisions of this Act, or upon written permission of the depositor, or in cases of impeachment, or upon order of a competent court in cases of bribery or dereliction of duty of public officials, or in cases where the money deposited or invested is the subject matter of the litigation.

"It shall be unlawful for any official or employee of a savings and loan association to disclose to any person any information concerning said deposits, except in the cases mentioned in the preceding paragraph of this section."

"SEC. 4-b. Deposit insurance.—Deposits in savings and loan associations shall be eligible for insurance coverage under Republic Act Numbered Three thousand five hundred and ninety-one, otherwise known as an act establishing the Philippine Deposit Insurance Corporation."

SEC. 3. Paragraphs (a) and (f) of Section five of the same Act are hereby amended to read as follows:

"(a) To grant loans of not exceeding the amount deposited by the borrower plus his four month's salary or regular income in the case of a permanent employee or wage earner, or seventy percent of the fair market value of any property acceptable as collateral on first mortgage that he may put up by way of security: Provided, That no loan shall have a maturity date of more than one year, except loans on the security of unencumbered real estate, for the purpose of building, acquiring, or repairing residential houses and/or the purchase of land on which to build such houses, which may be granted with maturity dates not exceeding ten years: And provided,

further, That in the case of a borrower who is a permanent employee or wage earner, the treasurer, cashier or paymaster of the office employing him is authorized, the provisions of any existing law, rule and regulation to the contrary notwithstanding, to make deductions from his salary, wage or income pursuant to the terms of his loan, to remit deductions to the savings and loan association, and to collect such reasonable fee for his services as may be authorized by rules promulgated by the Monetary Board. For the pur-pose of this Act, deposits made by an association to a bank shall not constitute a loan;"

" (f) To borrow money or incur such obligations not exceeding twenty per centum of the total assets of the association, from any public lending institutions, such as the Development Bank of the Philippines, the Philippine Na-tional Bank, the Government Service Insurance System, the Social Security System, and from such private lending institutions other than another savings and loan association as may be approved by the Monetary Board; the Monetary Board may, in meritorious cases, raise the ceiling on the borrowing capacity of a savings and loan association to an amount not exceeding thirty per centum of its total assets.

"A savings and loan association may, subject to such rules as the Monetary Board may promulgate, also borrow from, or rediscount notes, bills of exchange and other com-mercial papers with the Central Bank. The rate of in-terest on such obligations or borrowings to be charged such associations shall not be more than that charged rural banks."

SEC. 4. Section seven of said Act is hereby amended to read as follows:

"SEC. 7. Prerequisite approval of articles of incorporation and by-laws.—The articles of incorporation and by-laws of a proposed savings and loan association shall not be filed in the Office of the Securities and Exchange Commissioner unless there is attached thereto a certificate of the Monetary Board approving such articles and by-laws: Provided, however, That this requirement shall not apply to savings and loan associations duly incorporated or regis-tered prior to the approval of this Act and which are actually existing and operating as such: Provided, further, That such existing savings and loan associations shall file an information sheet within sixty days after the approval of this Act with the Central Bank in a form prescribed by the Monetary Board.

"No person, association, partnership or corporation shall do business, or hold itself out as doing business, as a savings and loan association, or shall use the term savings and loan association' or any other title or name tending to give the public the impression that it is engaged in the opera-tions and activities of a savings and loan association unless so authorized under this Act."

SEC. 5. The last paragraph of Section eight of said Act is hereby amended to read as follows:

"A filing fee of two hundred pesos shall be paid to the official of the Central Bank in charge of savings and loan associations with each application for approval of proposed article of incorporation and by-laws, but in the case of non-stock savings and loan associations, the filing fee shall be five pesos."

SEC. 6. Section nine of said Act is hereby amended to read as follows:

"SEC. 9. Hearing on application.—Upon receipt of an application to form a proposed stock savings and loan asso-ciation, the Monetary Board shall give written notice to each existing stock association in the area or areas to be served by the proposed association, that an application has been made. In case the application is for the establishment of a nonstock association, such notice shall be given to each existing nonstock association in, or to employees of, the office, firm or entity in which the non-stock association is proposed to be established. The Notice shall state the name of the proposed association, and the time and place that a hearing will be held. The hearing shall be conducted not less than ten days after the mailing of the notice. Any person may appear at such hearing in person or by agent or attorney, and orally or in writing show cause why such application should not be approved. The official of the Central Bank in-charge of savings and loan associations or his duly authorized representative is hereby authorized to ad-minister oaths to any applicant and witnesses in such

hearing.

"If after public hearing, the Monetary Board believes that the requirements of this Act have been complied with and that no valid reasons exist for the disapproval of the application, it shall favorably endorse such application to the Securities and Exchange Commission who shall issue articles of incorporation to the association."

SEC. 7. Section eleven of said Act is hereby amended to read as follows:

"SEC. 11. Prior Licensing.—All associations, prior to transacting any business, shall procure a license to transact business from the Monetary Board. After due notice and hearing, the Monetary Board may revoke, or suspend for such period as it determines, the license of any association, the solvency of which is imperiled by losses or irregularities or of any association which willfully violates any provisions of this Act or any regulation issued thereunder."

SEC. 8. Section fourteen of said Act is hereby amended to read as follows:

"SEC. 14. Qualifications for directors.—No person shall be eligible as director of an association unless he is a member, in case of nonstock associations, or an owner in his own right of stocks in the association with an aggregate par value of at least five thousand pesos, in case of stock associations: Provided, That at least two-thirds of the members of the board of directors of any stock savings and loan association which may be established after the approval of this Act shall be citizens of the Philippines."

SEC. 9. Paragraph (c) of Section sixteen of said Act is hereby amended to read as follows:

"(c) Receipt or payment of bonuses to directors, officers or employees if such bonuses are based on the profits and not on the volume or number of loans made or on the interest or fees collected thereon."

SEC. 10. Paragraph (b) of Section eighteen of said Act is hereby amended to read as follows:

"(b) No association shall directly or indirectly make any loans to any director or officer or employee of such association, either for himself or as agent or as partner of another, except in the case of a nonstock savings and loan association which may grant loans to any director, officer, or employee thereof: Provided, That the written approval of the majority of the directors of the nonstock association, excluding the director concerned shall be secured: And provided, further, That the aggregate loans, direct or indirect, granted at any one time to such directors and officers shall not exceed twenty per centum of the total paid-up capital of the association. Any such approval shall be entered upon the records of the association and a copy of the written approval shall be transmitted immediately to the official of the Central Bank in charge of savings and loan associations."

SEC. 11. Section twenty-two of said Act is hereby amended to read as follows:

"SEC. 22. Reserves.—Every nonstock savings and loan association shall create a withdrawable share reserve which shall consist of three per centum of the aggregate capital contributions of the members.

"Five per centum of the net earnings of a stock savings and loan association shall be credited to a reserve account until the reserve equals five per centum of the total assets of the association and shall be available for meeting losses incurred by the association."

SEC. 12. Section twenty-three of said Act is hereby amended to read as follows:

"SEC. 23. When dividends not distributable.—The withdrawable share reserve shall be set up from the profits of the nonstock association, and no association shall pay any dividends or distribute any profits to its members if its withdrawable share reserve is less than, or if by such payment or distribution would be reduced below, the amount specified in Section twenty-two hereof."

SEC. 13. Paragraph (c) of Section twenty-six of said Act is hereby amended to read as follows:

"(c) The Monetary Board finds that the association's assets, after deducting all liabilities, do not equal or exceed the sum of the par value of its outstanding shares of stock or the amount contributed to the capital of the association;"

SEC. 14. Paragraphs (b) and (c) of Section twenty-eight of said Act are hereby amended to read as follows:

"(b) To supervise the operations and activities of savings and loan associations, which shall consist, among others (1) in placing limits to the maximum credit allowed any individual borrower; (2) in determining the loan period and loan procedures; (3) in prescribing a higher rate of interest which associations may pay on deposits received by them, which shall not be more than one per centum over and above the rate which banks and banking institutions are authorized or shall be authorized to pay; (4) in imposing a uniform accounting system and manner of keeping the accounts and records of savings and loan associations; (5) in instituting periodic surveys of loan and lending procedures, audits, test check of each and other transactions of savings and loan associations; and (6) whenever necessary, in conducting training courses for personnel of savings and loan associations;"

"(c) To conduct at least once every year, and whenever necessary, any inspection, examination or investigation of the books and records, business affairs, administration, and financial condition of any savings and loan association with or without prior notice but always with fairness and reasonable opportunity for the association or any of its officials to give their side of the case. Whenever an inspection, examination or investigation is conducted under this grant of power, the person authorized to do so may seize books and records and keep them under his custody after giving proper receipts therefor; may make any marking or notation on any paper, record, document or book to show that it has been examined and verified; and may padlock or seal shelves, vaults, safes, receptacles or similar containers and prohibit the opening thereof without first securing authority therefor, for as long as may be necessary in connection with the investigation or examination being conducted. The official of the Central Bank in charge of savings and loan associations and his deputies are hereby authorized to administer oaths to any director, officer or employee of any association under the supervision of the Monetary Board.

"Stock savings and loan associations which are subject to examination by the Monetary Board, shall, after having been in operation for five years, reimburse the Central Bank for the cost of maintaining the department of savings and loan associations, and, for this purpose, shall pay to the Central Bank, within the first thirty days of each year after the fifth year of their existence, an annual fee in an amount to be determined by the Monetary Board in the manner provided in the next paragraph of this subsection.

"The fee to be paid by each stock savings and loan association shall be an amount equal to a prescribed percentage of its average total assets during the preceding years, as shown on its end-of-month balance sheets, after deducting its cash on hand and amounts due from banks, including the Central Bank: Provided, however, that said percentage may not exceed one twentieth of one per cent. If the total of the maximum fees authorized under this paragraph should be insufficient to defray the entire costs of the department, the difference shall be borne by the Central Bank;"

SEC. 15. Paragraphs (a), (b) and (d) of Section twenty-nine of said Act are hereby amended to read as follows:

"(a) Any owner, agent, manager, or other officer in charge of any savings and loan association who, being thereunto required in writing by the Monetary Board or by the official of the Central Bank in charge of savings and loan associations to comply with the requirements of this Act, shall willfully refuse any lawful examination into the affairs of such institution shall be punished by a fine of not more than ten thousand pesos or by imprisonment of not more than two years, or both, in the discretion of the court.

"(b) The willful making of a false statement to the Monetary Board or to the official of the Central Bank in

charge of savings and loan associations or to his examiners shall be punished by a fine not to exceed fifteen thousand pesos or by imprisonment of not more than three years, or both, in the discretion of the court.

"(d) Whenever a savings and loan association persists in violating its charter or by-laws or any law, or orders, instructions, rules or regulations legally issued by the Monetary Board or whenever a savings and loan association persists in carrying on its business in an unlawful or unsafe manner, the Board shall, by the Solicitor General, and without prejudice to the penalties provided in the preceding paragraph of this section, file a petition in the Court of First Instance praying the assistance of the court to compel the savings and loan association to discontinue the violations or practices objected to in the petition of the Board. The Monetary Board may, with the approval of the Court, take such action as the court may deem necessary to compel the savings and loan association complained against to discontinue the violations or practices set forth in the Board's petition, and, if necessary, the Board may, under order of the court, direct the official of the Central Bank in charge of savings and loan associations to liquidate the business of the institution."

SEC. 16. This Act shall take effect upon its approval.

Approved, June 19, 1965.

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