

AN ACT TO PROVIDE FOR THE REGULATION OF THE ORGANIZATION AND OPERATIONS OF SAVINGS AND LOAN ASSOCIATIONS.

REPUBLIC ACT NO. 3779, June 22, 1963

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

SECTION 1. Title.—The short title of this Act shall be the "Savings and Loan Association Act."

SEC. 2. Declaration of Policy.—It is hereby declared to be the policy of the State;

- (a) To regulate and supervise the activities of savings and loan associations in order to place their operations on a sound, stable, and efficient basis to the end that they may be able to better provide for the establishment of additional credit and savings facilities in a fair manner to the consuming public and to industry, commerce, and agriculture and to curtail or prevent acts or practices of these savings and loan associations which are prejudicial to the public interest;
- (b) To lay down the minimum requirements and the standards under which savings and loan associations may be established and do business;
- (c) To maximize the protection of the public, and of members and stockholders of savings and loan associations against misfeasance and malfeasance of the directors and officers thereof; and
- (d) To encourage industry, frugality and the accumulation of savings among the public, and the members and stockholders of savings and loan associations.

SEC. 3. Definition of terms.—For the purpose relative to the implementation of this Act, the following definitions shall apply:

- (a) "Savings and loan association" hereinafter called the association shall include any corporation engaged in the business of accumulating the savings of its members or stockholders, and using such accumulations, together with its capital in the case of a stock corporation, for loans and/or for investment in the securities of productive enterprises or in securities of the Government, or any of its political subdivisions, instrumentalities or corporations;
- (b) "Monetary Board" shall mean Monetary Board of the Central Bank of the Philippines; and
- (c) "Central Bank" shall mean Central Bank of the Philippines.

SEC. 4. Organization of savings and loan association.—

- (a) A savings and loan association shall be organized either as a stock or non-stock corporation;
- (b) A savings and loan association organized as a stock corporation shall have a fully paid-up capital of at least one hundred thousand pesos and is authorized to receive deposits from, and extend loans to, the general public: Provided, however, That a savings and loan association operating for at least three years as a non-stock corporation may be converted to a stock corporation with a paid-up capital of fifty thousand pesos;
- (c) A savings and loan association organized as a non stock corporation shall confine its membership to a well defined group of persons and shall not transact business with the general public. It shall accept deposits from, and grant loans to, only its member-depositors; and
- (d) No entrance fees of any kind may be charged by any association without first securing the approval of the

Monetary Board. In no case shall the total amount of fees exceed one percent of the amount deposited, contributed, or otherwise paid in by the particular shareholder, stockholder or member.

SEC. 5. Powers of savings and loan association.—A savings and loan association shall be incorporated under the Corporation Law, and in addition to the powers therein granted whenever applicable, it shall exercise the following:

- (a) To grant loans of not exceeding the amount deposited by the borrower plus his four months' salary or regular income in the case of a permanent employee or wage earner, or seventy percent of the fair 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: 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 purpose of this Act, deposits made by an association to a bank shall not constitute a loan;
- (b) To charge interest within the limits allowed by law, and collect such necessary fees incidental to the grant of loans as may by regulation, be authorized by the Monetary Board;
- (c) Subject to such rules as the Monetary Board may approve, to discount with recourse commercial papers and accounts receivables;
- (d) To invest its funds in any sound non-speculative enterprise, as well as in bonds, securities, and other obligations issued by the Government of the Philippines, or any of its political subdivisions, instrumentalities or corporations including government-owned or controlled corporations subject to the rules and regulations of the Monetary Board;
- (e) To allow member-depositors to participate in the profits of the savings and loan association on the basis of their deposits on the date such dividends are declared; and
- (f) To borrow money or incur such obligations up to not more than five per centum of the total assets of the, association, from any public lending institutions, such the Development Bank of the Philippines, the Philippine National 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 not more than ten per centum of its total assets.

SEC. 6. Restrictions on savings and loan associations.—

- (a) No association shall have or carry upon its books for any person any demand, commercial or checking account, or any credit to be withdrawn upon the presentation of any negotiable check or draft.
- (b) No association shall advertise or represent itself to the public as a bank, whether commercial or savings, or as a trust company.
- (c) No association shall issue, publish or cause or permit to be issued or published, any advertisement that it is doing or permitted to do any business which is prohibited by law to an association, or which misrepresents its shares, stock, investment certificates, or the rights of investors or depositors in respect thereto.

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 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 registered 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 an information sheet within sixty days after the approval of this Act with the Central Bank in a form prescribed by the Monetary Board and shall comply

with the requirements of Sections eight and nine of this Act not later one year from the approval thereof.

No person, association, partnership or corporation shall 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 operations and activities of a savings and loan association unless so authorized under this Act.

SEC. 8. Application for approval; contents.—The articles of incorporation of a proposed association shall be submitted to the Monetary Board together with a copy of the proposed by-laws and an application, signed by a majority and verified by one of the directors, requesting approval. The application shall set forth:

- (a) the names and addresses of the incorporators, directors, and officers, with a statement of their character, experience, and general fitness to engage in the savings and loan business;
- (b) an itemized statement of the estimated receipts and expenditures of the proposed association for the first year;
- (c) a showing that the public convenience and advantage will be promoted by the formation of the proposed association;
- (d) any other matters the Monetary Board may require. A filing fee of two hundred pesos shall be paid to the Superintendent of Banks with each application for approval of proposed articles of incorporation and by-laws, but in the case of non-stock savings and loan associations, the filing fee shall be five pesos.

SEC. 9. Hearing on Application.—Upon the receipt of an application to form a proposed savings and loan association, the Monetary Board shall give written notice to each existing association that an application has been made. 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.

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 Commissioner who shall issue articles of incorporation to the association.

SEC. 10. Ground for refusal to execute certificate of approval.—The Monetary Board may refuse to approve the application, if upon examination and investigation it finds that:

- (a) the corporation is to be formed for any business other than the legitimate savings and loan business, or
- (b) the association's financial program is unsound, or
- (c) the area where the association is to be located is adequately served by one or more existing associations.

SEC. 11. Annual 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 will fully violates any provisions of this Act or any regulation issued thereunder.

SEC. 12. Branch offices and agencies.—

- (a) No association shall open, maintain or operate a branch without first applying for and obtaining from the Monetary a license for such branch.
- (b) The application for a branch license shall be in such form as the Monetary Board shall require, including an itemized statement of the estimated receipts and expenditures of the association in connection with such branch for the first year or such longer period as the Monetary Board requires, and a showing that the public

convenience and advantage will be promoted by the operation of such branch. A filing fee of fifty pesos shall be paid to the Monetary Board with each application for a branch license.

(c). If after public hearing conducted not earlier than ten days after notice thereof, the Monetary Board is satisfied that the operation of the proposed branch is in the interest of such association, that the area where the proposed branch is to be located is not adequately served by one or more existing associations, and that the public convenience and advantage will be promoted by the operation of such branch, it shall issue a license for the proposed branch.

SEC. 13. Agents and salesmen.—No person shall act as an agent or salesman of an association or operate an agency without obtaining a license from the Monetary Board. No license is required for a collector of an association but no person shall hold himself out or act as a collector unless he is authorized as a collector in writing by such association.

SEC. 14. Qualifications for directors.—No person shall be eligible as director of an association unless he is a member, in case of non-stock 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.

SEC. 15. Bond of officers and employees.—All officers and employees of an association, who have access to money, or negotiable securities of the association, or who issue stock or shares of the association in the regular discharge of their duties shall, before entering upon their duties, furnish to the employing association a good and sufficient bond, the form and amount of which shall be prescribed by the Monetary Board, indemnifying the association against loss of money or securities by reason of their dishonesty and against any loss arising from their dishonest issue of stock or shares.

SEC. 16. Compensation of directors, officers and employees.—No director, officer, or employee of an association shall receive from such association, and no association shall pay to any director, officer, or employee of such association, any commission, emolument, gratuity or reward based on the volume or number of loans made or based on the interest or fees collected thereon. Nothing in this section prohibits or limits any of the following:

- (a) Receipt or payment of salaries of directors, officers, and employees.
- (b) Receipt or payment of commissions to agents whether or not based on the volume or number of loans or on the interest or fees collected thereon.
- (c) Receipt or payment of bonuses to 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. 17. Shares of stock of officers, directors, or employees.—No officer, director, or employee of any association shall acquire any certificate or shares issued by the association with which he is connected by a method other than by investing his funds directly with the association, or by gift, bequest, or descent, or purchase in any amount not exceeding at any one time three thousand pesos, unless such other mode of acquisition has the prior approval of the Monetary Board, and the Auditor of the Central Bank.

SEC. 18. Limitations on lending authority.—

- (a) An association shall not commit itself to make any loans for amounts in excess of the total of the following amounts:
 - (1) amount of cash available for loan purposes;
 - (2) amount of cash which can be readily realized upon the sale or redemption of permissible investment made by the association;
 - (3) amount of credit available for loan purposes from government or private financing institutions.

- (b) No association shall directly or indirectly make any loans to any director, officer or employee of such association, either for himself or as agent or as partner of another
- (c) No association shall make any loan to any corporation of which a majority of the stock is owned or controlled directly or indirectly, by any one or more of the directors or officers of such association collectively.
- (d) No association shall loan any of its fund upon the security of its own stock.

SEC. 19. Execution of loan agreements.—For each loan made by an association, a written note or other obligation expressing a rate of interest must be executed by the borrower.

SEC. 20. Liability of officers for loans contrary to law.—No association shall make or purchase any loan or investment not authorized or permitted under this Act, and any director, officer or employee who, on behalf of any such association, knowingly makes or purchases any such loan or investment or who knowingly consents thereto shall be personally liable to the association for the full amount of any such loan or investment.

SEC. 21. Limitations on investment.—

- (a) No association at any one time shall have invested in bonds and securities an aggregate amount in excess of ten per centum of the total assets of such association;
- (b) No association at any one time shall have invested in real property an aggregate amount in excess of five per centum of the total assets of such association;
- (c) No association at any one time shall invest in furniture, fixtures, furnishings and equipment and leasehold improvements for its offices, more than ten per centum of its aggregate paid-up capital.

SEC. 22. Reserves.—Every savings and loan association shall create a withdrawable share reserve which shall consist of three per centum of the aggregate par value of the association's outstanding shares.

In the case of non-stock corporations, the withdrawable share reserves shall be three per centum of the aggregate capital contributions of the members.

SEC. 23. When dividends not distributable.—No association shall pay any dividends to stockholders or distribute any profits to stockholders if its withdrawable share is less than, or by such payment or distribution would be reduced below, the amount specified in section twenty-two hereof.

SEC. 24. Annual reports.—Every association shall, within sixty days after the close of its fiscal year furnish of the Monetary Board and mail to each of its investor a copy of its financial statement showing, in such form and detail as the Monetary Board shall require, the amount and character of the assets and liabilities of the association at the end of the preceding fiscal year. Any association may, in lieu of mailing, publish such financial statement in any newspaper of general circulation in the city or town in which its principal and branch offices are located. The Monetary Board may, in addition to the foregoing, require the publication of such other information as it shall deem necessary for the protection of the investors in these associations.

SEC. 25. Monetary Board's authority to order discontinuance of unlawful or unsafe or injurious practices of associations.—If the Monetary Board finds, as the result of any examination or from any report made to it or to any of its investors, that the association is violating the provisions of its articles of incorporation, charter, by-laws, or any law, or is conducting its business in an unsafe or injurious manner, or is insolvent, it may by an order addressed to such association direct a discontinuance of such violations or unsafe or injurious practices and a conformity with all the requirements of law.

SEC. 26. When Monetary Board authorized to demand and take possession of association.—The Monetary Board may demand and take possession of the property, business and assets of an association if any of the following occur

- (a) The association does not comply with the order given pursuant to Section twenty-five, within the time specified therein;
- (b) It appears to the Monetary Board that the association is in an unsafe condition or is conducting its business in an unsafe or injurious manner such as to render its further operations hazardous to the public or to any or all of its investors;
- (c) The Monetary Board finds that the association's assets are impaired to such an extent that, after deducting all liabilities other than to its investors, they do not equal or they exceed the sum of the value of its outstanding shares and investment certificates and the par value of its outstanding stock;
- (d) The association refuses to submit its books, papers, and accounts to the inspection of the Monetary Board or any of its examiners, deputies, or assistants;
- (e) Any officer of the association refuses to be examined upon oath concerning the affairs of the association.

SEC. 27. Time Monetary Board authorized to retain possession of association; liquidation.—The Monetary Board may retain possession of the property, business and assets of an association until the association resumes business with the consent of and subject to the conditions imposed by the Monetary Board, or until its affairs are liquidated; in case of liquidation, the Monetary Board shall be governed by the provisions of the Central Bank Act for liquidation of banks.

SEC. 28. Supervisory powers over savings and loan associations.—In addition to whatever powers have been conferred by the foregoing provisions, the Monetary Board shall have the power to exercise the following:

- (a) To see to it that the capital, financing, direction and administration, as well as the integrity, responsibility, and ability of the organizers, administrators, directors and officers of every savings and loan association being organized under this Act, shall reasonably assure the safety of the interests which the public and/or its members and stock holders shall entrust to them;
- (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 imposing a uniform accounting system and manner of keeping the accounts and records of savings and loan associations; (4) in instituting periodic surveys of loan and lending procedures, audits, test check of each and other transactions of savings and loan associations; and (5) 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;
- (d) After proper notice and hearing, to suspend a savings and loan association for violation of law, for unsafe and unsound practices or for reason of insolvency. The Monetary Board may likewise, upon proof that a savings and loan association or its board of directors or officers are conducting and managing its affairs in a manner contrary to laws, orders, instructions, rules and regulations promulgated by the Monetary Board or in a manner substantially prejudicial to the interest of the government, depositors or creditors, take over the management of the savings and loan association after due hearing until a new board of directors and officers are elected and qualified without prejudice to the prosecution of the persons responsible for such violations. The management by the Monetary Board shall be without expense to the savings and loan association, except such as is actually

necessary for its operation, pending the election and qualification of a new board of directors and officers to take the place of those responsible for the violation or acts contrary to the interest of the government, depositors or creditors;

(e) To require all accountable officers and employees of every savings and loan association to post bonds for the faithful performance of their duties in such reasonable sums and with such sureties as the Monetary Board may approve;

(f) To decide, after appropriate notice and hearings any controversy as to the rights or obligations of the savings and loan association, its directors, officers, stockholders and members under its charter, and, by order, to enforce the same; (g) To fix by rules or by order, in specific cases, after notice and hearing, the limits of loanable funds, amount for investment and for discounting, and reserves for withdrawals and other contingencies;

(h) To issue rules and regulations for the proper implementation of this Act, effective administration of savings and loan associations, and to render advisory assistance to all interested parties in order to carry out the intents and purposes of this Act;

(i) To conduct such investigations, take such remedial measures, impose such disciplinary action and exercise all powers which are now or may hereafter be conferred upon it by Republic Act Numbered Two hundred sixty-five, otherwise known as the Central Bank Act, in the enforcement of this legislation.

SEC. 29. Penalties.—(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 Superintendent of Banks to comply with the requirements of this Act, shall willfully 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 Superintendent of Banks or to his examiners shall be punished by a fine not to exceed fifteen thousand pesos or by imprisonment for a term not to exceed three years, or both, in the discretion of the court.

(c) Whenever any person or entity willfully violates this Act or any order, instruction, rule or regulation legally issued by the Monetary Board, the person or persons responsible for such violation shall be punished by a fine of not more than five thousand pesos or by imprisonment of not more than one year, 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 direct the Superintendent of Banks to liquidate the business of the institution.

SEC. 30. Effectivity—This Act shall take effect upon its approval.

Approved, June 22, 1963.

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