

AN ACT GOVERNING THE PAYMENT OF MONETARY OBLIGATIONS INCURRED OR CONTRACTED PRIOR TO AND DURING THE JAPANESE INVASION OF THE PHILIPPINES, AND FOR OTHER PURPOSES.

Commonwealth Act No. 727, January 18, 1946

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WHEREAS, during the period of Japanese invasion of the Philippines, the Japanese issued fiat pesos, commonly referred to as Japanese Military notes, and compelled their circulation at parity with legitimate Philippine currency;

WHEREAS, these fiat pesos were used as means of payment for obligations which were incurred or contracted prior to and during the Japanese invasion;

WHEREAS, these fiat pesos upon the liberation of the Philippines were officially declared to have no value as monetary instruments and not to be legal tender; and

WHEREAS, the public interest requires that a definite determination of debtor-creditor problems arising from the issuance and circulation of these fiat pesos be made in order to restore sound economic conditions in the Philippines; Now, therefore,

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

SECTION 1. All payments made on demand or tendered and accepted during the period of the Japanese invasion on obligations incurred or contracted prior to and during such period shall be considered valid, and all obligations thereby satisfied during the period of Japanese invasion shall be considered fully discharged.

SEC. 2. All payments made during the period of the Japanese invasion shall be applied first to existing obligations incurred or contracted during the Japanese invasion, unless otherwise agreed upon by the parties when such obligations were incurred or at the time of such payments.

SEC. 3. Any balance remaining unpaid on an obligation incurred or contracted prior to the period of the Japanese invasion shall be valid, subsisting and collectible in current legal tender currency, but without interest during the period of Japanese invasion.

SEC. 4. Any balance remaining unpaid on an obligation incurred or contracted during the period of Japanese invasion, including contracts of sale with right of repurchase and other contracts of similar nature, shall be liquidated in accordance with the value of the Japanese Military note in relation to the Philippine peso obtaining on the date when and at the place where the obligation was incurred, unless the parties had agreed upon another value or kind of money in which the obligation shall be discharged. In case of disagreement as to the relative value of the Japanese Military note on the date the obligation was incurred, the determination of the proper value shall be left to the competent court.

SEC. 5. All withdrawals made during the period of Japanese invasion on account of deposits made with banks or other institutions of credit including mortgage banks, savings banks, commercial banks and trust companies, or with private individuals, before the Japanese invasion, shall stand as valid, and obligations discharged by such

withdrawals shall be considered fully settled.

SEC. 6. All remaining balances of deposits made with banks or other institutions of credit including mortgage banks, savings banks, commercial banks and trust companies, or with private individuals, prior to the Japanese invasion, shall be valid and collectible in legal tender currency after the liberation of the Philippines but shall earn no interest during the period of Japanese invasion; but all remaining balances of deposits made in Japanese Military notes or in checks or other credit instruments drawn against or arising from deposits made in Japanese Military notes with said institutions or private individuals during the period of Japanese invasion, are hereby declared non-collectible: Provided, however, That for the purpose of determining the balance of valid deposit of any depositor in a bank, all deposit accounts in the same institution of such depositor in the same bank, inclusive of head office, branches, and agencies in the Philippines, shall be consolidated and treated as only one account.

SEC. 7. For the purposes of this Act, all payments made during the period of the Japanese invasion shall be presumed to have been made in fiat pesos, and all obligations incurred during the said period shall be presumed to have been payable in fiat pesos, unless the obligation required payment in another currency.

SEC. 8. Should any section or provision of this Act be declared unconstitutional by the decision of any competent court, such decision shall affect only the section or provision so declared unconstitutional and shall not affect any other section or provision of the Act.

SEC. 9. The provisions of this Act shall not be construed as a waiver of the right of any person, company or corporation to claim reparations for damages suffered as a result of the application of this Act.

SEC. 10. The following terms as used in this Act shall be understood as herein defined:

(a) "The period of Japanese invasion" shall include the period between the date when the Japanese military forces occupied and exercised authority over a certain territory in the Philippines and the date when the Philippine or American authorities have retaken and resumed authority over the same territory.

(b) "Fiat peso" (Japanese Military note) shall include all notes endorsed and issued by the Imperial Japanese Government and used in the Philippines.

(c) "Philippine peso" shall include the Treasury certificates and other legal currencies of the Commonwealth of the Philippines.

SEC. 11. No person, corporation or association found by final judgment of a competent court to have engaged in the buying and selling of war materials during the Japanese invasion, shall be allowed to avail of the benefits of this Act.

SEC. 12. Any provision of law or executive order inconsistent with this Act is hereby repealed.

SEC. 13. This Act shall take effect upon its approval.

Approved, January 18, 1946.[*]

[*]Disapproved by the President of the United States as per official information received on April 1, 1946.

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