

AN ACT REGULATING BANKS AND BANKING INSTITUTIONS AND FOR OTHER PURPOSES

REPUBLIC ACT NO. 337, July 24, 1948

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/98d13871d176/>

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

CHAPTER I.—Title and Definitions

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

SEC. 2. Only duly authorized person and entities may engage in the lending of funds obtained from the public through the receipt of deposits or the sale of bonds, securities, or obligations of any kind, and all entities regularly conducting such operations 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 institution" and "bank", as used in this Act, are synonymous and interchangeable and specifically include banks, banking institutions, commercial banks, savings banks, mortgage banks, trust companies, building and loan associations, branches and agencies in the Philippines of foreign banks, hereinafter called Philippine branches, and all other corporations, companies, partnerships, and associations performing banking functions in the Philippines.

Persons and entities which receive deposits only occasionally shall not be considered as banks, but such persons and entities shall be subject to regulation by the Monetary Board of the Central Bank, nevertheless in no case may the Central Bank authorize the drawing of checks against deposits not maintained in banks, or branches or agencies thereof.

The Monetary Board may similarly regulate the activities of persons and entities which act as agents of banks.

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. Cases of doubt as to the banking character of the activities of any person or entity, and to the consequent applicability of this Act, shall be decided by the Monetary Board subject to judicial review. The Board may, through the Superintendent of Banks, examine, inspect or investigate the books and records of such person or entity for the purpose of resolving the question.

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

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

SEC. 6. No person, association or corporation not conducting the business of a commercial banking corporation, trust corporation, savings and mortgage bank, or building and loan association, as defined in this Act, 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," "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 in so far as it relates to commercial banking corporations, trust corporations, savings and mortgage banks, or building and loan associations, as the case may be. 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 repeated, and, in default of the payment thereof, subsidiary imprisonment as prescribed by law.

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 institution shall issue no par value stock.

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 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. 10. The Securities and Exchange Commissioner shall not register the by-laws of any bank or banking institution, or any amendment thereto, unless accompanied by a certificate of the Monetary Board to the effect that such by-laws 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 sixty per cent (60%) of the capital stock of any banking institution which may be established after the approval of this Act shall be owned by citizens of the Philippines.

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.

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 of such bank in accordance with the schedule established in section eight of Act Numbered Fourteen hundred and fifty-nine, as amended.

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.

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 process in legal proceedings against the corporation and of notices 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 at 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 of 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 provided 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 banking corporation shall be any corporation which accepts or creates demand deposits subject to withdrawal by check.

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 debt; 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 or first mortgages on improved real estate and the insured improvements thereon. No loan on the security of real estate shall have a maturity in excess of fifteen years but the aggregate of such loans on real estate security shall not exceed seventy per cent (70%) of the total savings deposits of the bank.

Nothing in this section shall be construed as preventing a commercial bank from accepting real estate security in order to protect itself from loss on account of a loan previously contracted in good faith, nor shall there be included in the foregoing limitations loans made on the security of real estate arising out of the sale of property owned by such bank.

Commercial banks may acquire high-grade bonds and other evidences of indebtedness. Except in exceptional circumstances, however, the Monetary Board shall not permit commercial banks to invest in securities having maturities greater than three years from the date of acquisition by the bank an amount in excess of twenty per cent (20%) of its total deposits.

SEC. 22. The combined capital accounts of each commercial bank shall not be less than an amount equal to fifteen per cent (15%) of its total assets, excluding the following assets:

- (a) Cash on hand;
- (b) Amounts due from banks, both at home and abroad, including all deposits with the Central Bank; and
- (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.

The Monetary Board shall prescribe the manner of determining the total assets of banking institutions for the purposes of this section, but contingent accounts shall not be defined as being included among total assets.

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 Superintendent of Banks on the state of solvency of the institution concerned, shall limit or prohibit the distribution of net profits and shall require that part or 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 Superintendent of Banks 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.

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, with the exception of money borrowed against obligations of the Central Bank or of the Philippine Government, or borrowed with the full guarantee by the Government of payment of principal and interest, shall at no time exceed fifteen per cent (15%) of the unimpaired capital and surplus of such bank.

The total liabilities of any borrower may amount to a further fifteen per cent (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 per cent (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 paper 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. But 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 purposes of this section.

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, or 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 shall not exceed twenty-five percent (25%) of its paid-up capital stock and surplus;
- (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.

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 purposes of this Act, a bank and its branches shall be treated as a unit.

SEC. 28. The Monetary Board, by the affirmative vote of at least five if 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

SEC. 29. A savings and mortgage bank shall be any corporation organized primarily for the purpose of accumulating the small savings of depositors and investing them, together with its capital, in bonds or in loans secured by bonds, real estate mortgages, and other forms of security, as hereinafter provided.

SEC. 30. The combined capital accounts of each savings and mortgage bank shall not be less than an amount equal to fifteen per cent (15%) of its total assets, after deducting the following assets:

- (a) Cash on hand;
- (b) Amounts due from banks, both at home and abroad, including all deposits with the Central Bank; and
- (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.

The Monetary Board shall prescribe the manner of determining the total assets of banking institutions for the purposes of this section, but contingent accounts shall not be defined as being included among total assets.

Whenever the capital accounts of a bank are deficient with respect to the requirements of the preceding paragraph, the Monetary Board, after considering a report of the Superintendent of Banks on the state of solvency of the institution concerned, shall limit or prohibit the distribution of net profits and shall require that part or 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, after considering the aforesaid report of the Superintendent of Banks 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 the evidences of indebtedness included under subsection (c) of this section until the minimum required capital ratio has been restored.

SEC 31. The loans and investments of savings and mortgage banks shall be limited to the following:

- (a) Loans with the security of their own savings deposit obligations or of mortgage and chattel mortgage bonds which they have issued, or with the security of savings deposit obligations of other banks doing business in the Philippines;
- (b) Medium-term loans of the following types:
 - (1) Loans for the encouragement of cattle, carabao and other livestock breeding, with maturities up to three years. Such loans shall be repaid in regular installments and shall have as principal security a lien on the animals, the bank being empowered, however, to require, in addition, real estate and other securities to its satisfaction. The amount of any such loan shall not exceed fifty per cent (50%) of the commercial value of the animals at the time the loan is made, but similar additional loans, up to fifty per cent (50%) may be made as the value of the stock increases.
 - (2) Equipment loans, with maturities up to five years, for the acquisition of fertilizers and any instruments, machinery and other movable equipment used in the production, processing, transformation, handling ,or transportation of agricultural and industrial products. Such loans shall constitute a first lien on the assets acquired with the proceeds of the loan, the bank being empowered, however, to require as additional security' a lien or mortgage on other properties of the debtor.
- (e) Mortgage loans, with maturities up to ten years, for the conservation, enlargement or improvement of productive properties, or the acquisition of machinery or other fixed installations. Such loans shall be secured by a first mortgage on the property.

(d) Real estate mortgage loans with maturities of not more than twenty years, for the following purposes only:

(1) For the construction, acquisition, expansion or improvement of rural and urban properties;

(2) For the refinancing of similar loans and mortgages; and

(3) For such other purposes as may be authorized by the Monetary Board.

(e) High-grade bonds and other evidences of indebtedness, and loans against such obligations;

(f) Drafts, bills of exchange, acceptances, or notes arising out of current commercial transactions which are endorsed or accepted by any solvent bank operating in the Philippines. The aggregate investments in this class shall not exceed ten per cent (10%) of the total assets of the bank;

(g) Collateral trust bonds or notes, or obligations secured by such bonds or notes, secured by a first mortgage or by a participating interest in a first mortgage on improved urban or rural real estate in cities and municipalities of the Philippines, provided that such bonds and notes shall have been outstanding for at least three years prior to their purchase by the savings bank, and provided that during that period the earnings of the property mortgaged and available for paying interest have been equal to at least two hundred per cent (200%) of the annual interest payable on account of all first mortgage obligations outstanding. No such bonds or notes, or obligations secured thereby, shall be purchased by the bank if the aggregate of first mortgage obligations outstanding against the property exceeds seventy per cent (70%) of the appraised value thereof.

(h) Loans secured by the pledge to the corporation of gold or silver bullion: Provided, That the loans shall not exceed ninety per cent (90%) of the value of the pledge by which the loan is secured;

(i) Loans with first mortgages transferred to the corporation as collateral security on improved and otherwise unencumbered real estate in cities and municipalities in the Philippines: Provided, however, That the mortgage transferred to the corporation as collateral security with interest accrued and due shall not exceed sixty per cent (60%) of the appraised value of the real estate and insured improvements which secure such mortgage.

Notwithstanding any provisions in this or any other Act to the contrary, any savings and mortgage bank, existing or doing business on the date of the approval of this Act and engaged in the business of lending of money against the pledge of jewelry, precious stones and articles of similar nature, may continue to engage in such business.

SEC. 32. Except as the Monetary Board may otherwise prescribe, the direct indebtedness to a savings and mortgage bank of any person, company, corporation or firm, including in the indebtedness of the company or firm the indebtedness of the several members thereof, for money borrowed, with the exception of money borrowed against obligations of the Central Bank or of the Philippine Government, or borrowed with the full guarantee by the Government of payment of principal and interest, shall at no time exceed twenty-five per cent (25%) of the unimpaired capital and surplus of the bank: Provided, however. That this limitation shall not apply to loans made under subsection (f) of section thirty-one.

SEC. 33. Any savings and mortgage bank may, with the approval of the Monetary Board, issue mortgage and chattel mortgage certificates, buy and sell them for its own account or for the account of others, or accept and receive them in payment or as amortization of its loans.

Such mortgage and chattel mortgage certificates shall be issued exclusively in national currency and exclusively for the financing of the loans enumerated in subsections (b) (c) and (d) of section thirty-one. The Monetary Board may issue such regulations as it deems necessary with respect to the maturities, rates of interest, denominations and other conditions pertaining to such certificates.

The bank shall strive to co-ordinate the amounts and maturities of its certificates with those of its loans, so as to ensure adequate cash receipts for the payment of principal and interest at the time they become due.

Savings and mortgage banks shall accept their own certificates at least at the actual price of issue, in any

prepayment of loans which mortgage or chattel mortgage debtors may wish to make, provided that the date of maturity of the certificates is not later than the date on which the payment would otherwise become due, in the absence of the aforesaid prepayment.

SEC. 34. Savings and mortgage banks may purchase, hold and convey real estate under the same conditions as those governing commercial banks as specified in section twenty-five of this Act.

SEC. 35. Married women and minors may, in their own right and in their own names, make deposits and withdraw the same, and may receive dividends and interest: Provided, however, That if any guardian shall give notice in writing to any savings bank not to make payments of deposits, dividends, or interest to the minor of whom he is guardian, then such payment shall be made only to the guardian.

SEC. 36. Savings deposits shall be returned to the depositors or to their legal representatives upon their petition in the manner and at the time and under the conditions which shall be determined by the board of directors and stipulated in regulations which shall be in conformity with law and with such regulations as the Monetary Board may prescribe.

SEC. 37. All savings and mortgage banks shall maintain on deposit with the Central Bank of the Philippines such reserves against their deposit liabilities as the Monetary Board shall determine in accordance with the pertinent provisions of the Central Bank Act.

SEC. 38. Whenever there is a call by depositors of a savings bank for repayment of their deposits and the call so made shall result in reducing its legal reserves below the amount required by the Monetary Board, such bank shall not make any new loans or investment of the funds of depositors or earnings of such funds until the call of the depositors has been satisfied and its legal reserves have been restored to the required minimum.

Any officer or director of a savings and mortgage bank who makes or causes to be made any loan or investment or funds of depositors or of the earnings of such funds in violation of this section 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 nor more than ten thousand pesos.

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 association, and the words "mutual building and loan association" shall form part of the name of every such association.

It shall be unlawful for any building and loan association to make any loan upon property that is suitable for use only as theater, 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 by-laws 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 per cent (10%) of the total assets of the association, nor may any such association make a loan upon any one piece of real estate amounting to more than ten per cent (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 by-laws 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 by-laws 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 directions 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 by-laws, 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 by-laws 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 loans 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 per cent (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 by-laws 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 by-laws or may be prescribed from time to time by board of directors, subject to the provisions of the Usury Law 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 due on stock or in the interest or premium or installments of premium on any loan, the whole loan, at the option of 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.

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 per cent 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 per cent (5%) of the net earnings shall be credited to a reserved account until the reserve equals five per cent (5%) of the total assets of the association. The reserve shall be maintained at five per cent (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 behoof of others, shall be known as a trust corporation or company.

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.

A commercial 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.

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 records 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 of 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 or the holding, management, and administration of any estate, real or personal, and the rents, issues, and profits hereof.

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

depository: Provided, however, That the court officer appointing such company as trustee, executor, administrator, guardian, receiver, or depository 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 depository 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 depository.

SEC. 60. Upon the application of any executor, administrator, guardian, trustee, receiver, or depository or any other person in interest, any court having jurisdiction over such officer, trustee, receiver, or depository 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 depository 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 depository, 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, trustee, receiver or depository 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 depository, 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 depository, of the estate of any minor, insane person, idiot, habitual drunkard, or other incompetent or irresponsible person, or as receiver or depository under and by virtue of any order or appointment of any court, 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.

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 depository of the estate of any minor, insane person, idiot, habitual drunkard, or other incompetent or irresponsible person, or as receiver or depository under and by virtue of any order or appointment of any court, or as trustee under any instrument in writing constituting the company a trustee, unless otherwise directed by the instrument creating the trust, shall be limited to the loans and investments enumerated in section thirty-one of Chapter V (Savings and Mortgage Banks). Any officer or director of any trust company authorizing or making any loan on 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.

SEC. 64. The capital stock and funds of a trust company may be loaned or otherwise invested as its by-laws 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 the 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 per cent (10%) of its net profits accruing since the last preceding dividend until the surplus shall amount to twenty per cent (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. Nothing herein contained shall prevent the accumulation of a larger surplus than that above prescribed should the directors so decide.

SEC. 67. The ordinary business of a trust company shall be transacted at the place of business specified in its articles 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 purposes 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.

SEC. 69. In the case of Philippine branches of foreign banks, the provisions of this section shall replace those of sections twenty-two and thirty of this Act, except insofar as is specified to the contrary in the last paragraph of this section.

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.

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 assignment 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. In the case of Philippine branches of foreign banks, the present section shall replace sections twenty-three and thirty-two of this Act.

Except as the Monetary Board may otherwise provide, the total liabilities of any person, or of any company, corporation, or firm, to the Philippine branch of a foreign bank for money borrowed, with the exception of money borrowed against obligations of the Central Bank or of the Philippine Government, or borrowed with the full guarantee by the Government of payment of principal and interest, shall at no time exceed fifteen per cent (15%) of the sum of:

The net amount due by such branch to the head office and branches outside the Philippines, and
The total capital accounts, if any, representing funds definitely assigned to the branch by the head office.

The liabilities of any borrower may amount to a further fifteen per cent (15%) of the two items mentioned in subsections (a) and (6) of this section, 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 per cent (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 paper under his guaranty to such bank and shall include in the case of liabilities of a copartnership or association the liabilities of the several members thereof and shall include in the case of liabilities of a corporation of all subsidiaries thereof in which such corporation owns or controls a majority interest. But 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 purposes of this section.

Whenever, and to the extent that, the head office of a Philippine branch of a foreign bank guarantees the repayment of liabilities of its branch, the limitation established in this section shall not apply. Moreover, nothing in this Act shall be construed as restricting in any manner loans made by the Philippine branch of a 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.

CHAPTER IX.—General Provisions

SEC. 71. Any opinion, decision, ruling, or regulation made or issued by the Superintendent of Banks may be appealed to the Monetary Board, which shall have the power and authority to confirm, modify or repeal such opinion, decision, ruling or regulation made or issued as aforesaid; but the action of the Monetary Board with

respect thereto shall be subject to judicial review.

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 account of others and perform such other services for their customers as are not incompatible with banking business.

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 banks 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. 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 be held to apply to the borrowing of money by any such bank or institution through the rediscounting of its receivables, or otherwise, as may be permitted by law, nor to the granting or guaranteeing of acceptance credits in the ordinary course of its business. Nor shall the provisions of this section apply to the certification of checks or to transactions involving the release of documents attached to items received for collection, nor to any other transaction which may properly be regarded as common usage and accepted banking practice.

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 of 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 per cent (70%) of the appraised value of the respective real estate security, plus seventy per cent (70%) of the appraised value of insured improvements, and such loans shall not be made unless title to the real estate, free from all encumbrances, shall be in the mortgagor. In the event of foreclosure, whether judicially or extra judicially, 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 extra judicially, 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 of execution, with interest thereon at the rate specified in the mortgage, and all the costs and other judicial 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 shall have the right to enter upon and take possession of such property immediately after the date of the confirmation of the auction sale and administer the same in accordance with law.

Similarly, loans on the security of chattels shall not exceed fifty per cent (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 eleven of the Central Bank Act, the Board may by regulation reduce the maximum ratios established in the present section, but in the exercise of the aforementioned authority, the Board shall in no case fix ratios greater than those established herein.

The Monetary Board may, similarly, in accordance with the authority granted to it in section one hundred eleven of the Central Bank Act, reduce the maximum permissible maturities specified in this Act for various types of bank loans, but in no case shall the Board exercise such power to authorize maximum maturities greater than those established in this Act. Any reduction by the Board of the maximum maturities specified in this Act shall apply only to loans made after the date of such action.

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 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 or funds of such bank, nor shall he become a guarantor, indorser, 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. Any such approval shall be entered upon the records of the corporation

and a copy of such entry shall be transmitted forthwith to the Superintendent of Banks. 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.

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 paragraph except upon the pledge of shares of the association having a total withdrawal value greater than the amount borrowed.

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.

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, after said bank becomes insolvent, shall be punished by 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.

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 part 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.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.