

AN ACT AMENDING ACT NUMBERED FOURTEEN HUNDRED AND FIFTY-NINE, AS AMENDED; DEFINING THE POWERS OF BANKS, BANKING INSTITUTIONS, TRUST CORPORATIONS, AND BUILDING AND LOAN ASSOCIATI...

Act No. 3610, December 03, 1929

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Be it enacted by the Senate and House of Representatives of the Philippines in Legislature assembled and by the authority of the same:

SECTION 1. Act Numbered Fourteen hundred and fifty-nine, as amended, is hereby further amended by inserting after section nine thereof another section reading as follows:

"SEC. 9 1/2. The Director of the Bureau of Commerce and Industry shall not hereafter file the articles of incorporation of any bank, banking institution, or building and loan association, unless accompanied by a certificate of authority issued by the Bank Commissioner, under his official seal, certifying that such concern is authorized under the laws of the Philippine Islands to engage in the business for which it is proposed to be incorporated. And it shall be the duty of the Bank Commissioner to issue such certificate within thirty days from the receipt of the application therefor, unless he has evidence to show that the establishment of the proposed institution will be prejudicial to the interests of the public, in which case he shall state in writing his reasons for refusing to issue the certificate: Provided, however, That in case of the refusal of the Bank Commissioner to issue such certificate, if the parties applying therefor shall deem themselves aggrieved by reason of the refusal of the Bank Commissioner as aforesaid, they may appeal within thirty days after such refusal, to the Secretary of Finance, as provided by section one hundred ninety and six-sevenths hereof."

SEC. 2. Section eighteen of the said Act is hereby amended by adding at the end thereof a new paragraph to read as follows:

"The Director of the Bureau of Commerce and Industry shall not hereafter file any amendment to the articles of incorporation of any bank, banking institution, or building and loan association, unless accompanied by a certificate of the Bank Commissioner to the effect that such amendment is in accordance with law."

SEC. 3. Section twenty of the same Act is hereby amended by adding at the end thereof a new paragraph to read as follows:

"The Director of the Bureau of Commerce and Industry shall not hereafter file the by-laws of any bank, banking institution, or building and loan association, unless accompanied by a certificate of the Bank Commissioner to the effect that such by-laws are in accordance with law."

SEC. 4. Section twenty-two of the same Act is hereby amended by the addition at the end thereof of a second proviso clause to read as follows:

"And provided, further, That the Director of the Bureau of Commerce and Industry shall not hereafter file any amendment to the by-laws of any bank, banking institution, or building and loan association, unless accompanied by a certificate of the Bank Commissioner to the effect that such amendments are in accordance

with law."

SEC. 5. Section sixty-eight of the same Act is hereby amended by inserting before the last paragraph thereof the following new paragraph:

"The Secretary of Finance may, in his discretion, order the issuance to any foreign banking corporation of a license to transact business in the Philippine Islands, upon the recommendation of the Bank Commissioner. It shall be the duty of the Bank Commissioner to verify the information contained in the statement of the managing agent or representative of such foreign banking corporation, as well as to make any other or further investigation as to the persons, conditions and circumstances surrounding or in any manner affecting such banking corporation, and if said Bank Commissioner is satisfied that the issuance to such corporation of a license to transact business in the Philippine Islands will promote the public interest and convenience, then he shall recommend that such license be issued: Provided, That hereafter no foreign banking corporation shall open a branch or branches in the Philippine Islands without first having obtained the written approval of the Bank Commissioner, which shall be given by him unless he has evidence to show that the establishment of such branch or branches will be prejudicial to the interest of the public, in which case he shall state in writing his reasons for refusing to give the approval. In case of the refusal of the Bank Commissioner to give such approval, the parties applying therefor may appeal to the Secretary of Finance as provided in section one hundred ninety and six-sevenths of Act Numbered Fourteen hundred and fifty-nine as amended by this Act."

SAVINGS AND MORTGAGE BANKS

SEC. 6. Sections one hundred and three to and including section one hundred and fifteen of said Act are hereby amended to read as follows:

"SEC. 103. Any banking 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, bullion or real-estate mortgages as hereinafter provided or in any combination of the aforementioned forms of investment shall be known as a savings and mortgage bank for the purposes of this Act. Such a corporation shall not be permitted to file its articles of incorporation with the Director of the Bureau of Commerce and Industry, unless accompanied by a certificate of authority issued by the Bank Commissioner in accordance with section nine and one-half of Act Numbered Fourteen hundred and fifty-nine as amended by this Act. A certificate to the effect that the articles of incorporation have been filed shall not be issued unless such articles show, under oath of the incorporators, that such corporation has a capital stock paid in cash of not less than two hundred' thousand pesos if the proposed institution has its head office or a branch in a city or municipality with a population of seventy-five thousand persons or more, and not less than one hundred thousand pesos if located in a city or municipality with a population less than seventy-five thousand persons but more than fifty thousand persons, and fifty thousand pesos if located in a city or municipality with a population of less than fifty thousand persons. The population of any city or municipality shall be deemed to be that shown in the records of the Department of the Interior, as certified to by the Secretary of the Department.

"If the deposits of a savings and mortgage bank amount to more than ten times its unimpaired capital and surplus, additional capital shall be paid in so that as nearly as possible the bank shall have at least one peso of unimpaired capital and surplus for each ten pesos of deposits. The adjustments of the capital stock account herein required shall take place on the thirty-first day of December of each year.

"SEC. 104. A savings and mortgage bank may loan or invest its funds and deposits and collect such loans with interest accrued and repay its depositors with or without interest on their deposits, as may be provided in the by-laws of the corporation and not in violation of this Act. No loan of a savings and mortgage bank shall be for a longer period than five years, unless such loan is madeable in monthly, quarterly, semiannual or annual installments in which case it may have a maturity not to exceed ten years.

"SEC. 105. The loans and investments of a savings and mortgage bank shall be limited to the following:

"(1) Loans secured by mortgage or deed of trust to the corporation of unencumbered improved real estate in cities and municipalities in the Philippine Islands, or by mortgage or deed of trust to the corporation of actually cultivated and improved agricultural lands in the Philippine Islands. The amount loaned shall not exceed sixty per centum of the appraised value of the real estate including the value of the insured improvements thereon which is security for the loan. In determining the amount to be loaned upon a given parcel of real estate careful consideration shall be given to the prices' at which surrounding property has been sold, the assessed value of the property offered as security, and the revenue-producing capacity of such property;

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

"(3) Bonds or evidences of debt—or loans secured by such bonds or evidences of debt—of the Government of the United States or of the Philippine Islands or of any province, city or municipality in the Philippine Islands authorized by law to issue bonds; and bonds or evidences of debt—or loans secured by such bonds or evidences of debt—of any person, firm, company, corporation, or other entity guaranteed both as to principal and interest by the Government of the Philippine Islands or by the Government of the United States: Provided, however, That any loan made upon the security of such bonds or evidences of debt shall not exceed the face value of such bonds or evidences of debt, or the market value thereof, whichever may be the smaller;

"(4) Loans with first mortgages transferred to the corporation as collateral security on improved and otherwise unencumbered real estate in cities and municipalities in the Philippine Islands: Provided, however, That the mortgage transferred to the corporation as collateral security with interest accrued and due shall not exceed sixty per centum of the appraised value of the real estate and insured improvements which secure such mortgage;

"(5) Drafts, bills of exchange, acceptances, or notes arising out of current commercial transactions which are guaranteed by a solvent bank operating in the Philippine Islands. The aggregate investments in this class shall not exceed ten per centum of the total assets of the bank;

"(6) 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 upon improved urban real estate in cities and municipalities of the Philippine Islands, provided that such bonds and notes shall have been outstanding for at least three years prior to their purchase by the mortgage and 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 centum 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 if the aggregate of first mortgage obligations outstanding against the property exceeds sixty per centum of the appraised value thereof.

"SEC. 106. No loan on the security of real estate shall be made unless the title to such real estate, free from all encumbrances, shall be in the mortgagor and unless the mortgage shall be a preferred claim on the property therein described as against the whole world.

"The direct indebtedness to a savings and mortgage bank of any person, firm, corporation, or entity shall be limited to twenty-five per centum of the unimpaired capital stock and surplus of the savings and mortgage bank: Provided, however, That this limitation shall not apply to loans secured by the pledge of gold and silver bullion in accordance with sub-paragraph (2) of section one hundred and five, nor to the bonds or evidences of debt or loans secured by such bonds or evidences of debt of the Government of the United States or of the Government of the Philippine Islands, or of any province, city or municipality in the Philippine Islands when such bonds or evidences of debt of such province, city or municipality are guaranteed as to principal and interest by the Government of the Philippine Islands, nor shall this limitation apply to drafts, bills of exchange, acceptances or notes arising out of current commercial transactions which are guaranteed by solvent banks

operating in the Philippine Islands. Except with the approval of the Bank Commissioner, no savings and mortgage bank may carry on deposit with another person, firm, corporation or entity an amount in excess of twenty-five per centum of the unimpaired capital stock and surplus of such savings and mortgage bank after deducting sums due by it to such person, firm, corporation or entity.

"SEC. 107. Any savings and mortgage bank may, with the approval of the Bank Commissioner, incur liabilities for money borrowed provided such liabilities shall not, in the aggregate, exceed fifty per centum of the paid-up and unimpaired capital stock of the corporation. The unencumbered assets of every savings and mortgage bank shall constitute the security of depositors who shall have priority of right over all others to such assets.

"SEC. 108. Savings and mortgage banks may purchase, hold and convey real and personal property as follows:

"(1) The lot with the building thereon in which the bank conducts and carries on its business, which shall not exceed in value twenty-five per centum of the unimpaired capital stock and surplus;

"(2) Such property, real and personal, as may have been mortgaged, pledged, or conveyed to it in good faith by reason of money loaned by it in pursuance of the regular business of the bank and such real and personal property as may have been purchased by it at sales to satisfy pledges, mortgages, or deeds of trust executed to it on account of money loaned by it, and such real and personal property as may have been conveyed to it by borrowers in satisfaction and discharge of loans made by the bank to them: Provided, however, That any real estate purchased by said bank in payment or by reason of any loan made by such bank must be sold by the bank within five years after the title thereto has been vested in it. And provided, further, That no savings and mortgage bank shall purchase, own, or sell personal property except as may be required in the transaction of its ordinary business or for its immediate accommodation.

"SEC. 109. Married women and minors may, in their own right and in their own names, make deposits and receive and receipt for deposits, dividends, and interest: Provided, however, That if any guardian shall give notice in writing to any savings and mortgage bank not to make payment of deposits, dividends, or interest to the minor of whom he is guardian, then such payment shall be made only to the guardian.

"SEC. 110. Before declaring any dividend, ten per centum of the net profits must be deducted and set aside as a part of the surplus, and the surplus thereby created shall be invested as are other funds of the bank. The surplus shall be used exclusively for the purpose of meeting losses sustained by the bank in the pursuit of its lawful business: Provided, That the bank may provide by its bylaws for the disposal of any excess in the surplus over twenty per centum of its liabilities, inclusive of stock, and also for the final disposal of the surplus upon the dissolution of the corporation after the payment of all liabilities.

"SEC. 111. 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 a regulation which shall be in conformity with law and approved by the Bank Commissioner. A brief and clear resume of such regulation shall be printed in the pass books issued by the savings and mortgage bank.

"Savings and mortgage banks may require by their by-laws that depositors shall give notice of not more than ninety days of the intended withdrawal of their deposits, and any savings and mortgage bank requiring such notice may decline to make payment of any deposit until such notice is given and the time prescribed in its by-laws for such notice has expired. No savings and mortgage bank may stipulate with its depositors that it renounces the right to require by its by-laws at least thirty days previous notice before the withdrawal of deposits.

"Savings and mortgage banks are hereby expressly prohibited from paying any savings deposit or interest thereon, or any portion of the savings deposit or any check or draft or note drawn upon it by savings

depositors, unless the pass book be produced and the proper entry be made therein at the time of making the payment: Provided, however, That savings and mortgage banks may make regulations governing payments to depositors in case of the loss of pass books or in case of other circumstances which make the production of the pass book impossible without loss or serious inconvenience to depositors. Such regulations shall be subject to the approval of the Bank Commissioner who may make uniform regulations for all savings and mortgage banks in this connection. Notwithstanding the provisions of this section, payment shall be made to depositors upon the judgment or order of a court of competent jurisdiction.

"All savings and mortgage banks shall at all times keep on hand or on deposit with the Insular Treasurer or his duly authorized representative either in lawful money of the Philippine Islands or of the United States, or in Philippine Government or United States Government bonds, an amount equal to at least five per centum of their total deposit liability. Reserve deficiencies shall be penalized at the rate of one per centum per month upon the amount of the deficiency and for the period of its duration in accordance with a regulation to be issued by the Bank Commissioner. The penalty assessed shall be collected by the Collector of Internal Revenue in accordance with the rules, regulations and procedure to be determined by him. Nothing in this paragraph shall be construed as limiting in any way the powers of the Bank Commissioner to compel a savings and mortgage bank to maintain its legal reserves.

"SEC. 112. Whenever there is a call by depositors for repayment of their deposits and the call so made equals or exceeds the moneys actually available in the bank and disposable for the purpose of paying deposits, the savings and mortgage 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.

"Any officer or director of a savings and mortgage bank making or authorizing the making of any loan or investment of 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 five years and by a fine of not less than one thousand nor more than five thousand pesos.

"SEC. 113. No director or officer of any savings and mortgage bank 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 of the bank or loaned by it. The office of any director or officer of a savings and mortgage bank who violates the provisions of this section shall immediately become vacant and the director or officer shall be punished by imprisonment not exceeding ten years and by a fine of not less than one thousand nor more than five thousand pesos.

"SEC. 114. No loan made by any savings and mortgage bank on the security of real estate shall be made unless the title to such real estate shall have been first registered in accordance with the Land Registration or Cadastral Act.

"SEC. 115. Any director or officer of any savings and mortgage bank 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 a fine of not less than one thousand nor more than ten thousand pesos and by imprisonment for not less than two nor more than ten years."

COMMERCIAL BANKING CORPORATIONS

SEC. 7. Sections one hundred and sixteen to and including section one hundred and twenty-nine are hereby amended so that they shall read as follows:

"SEC. 116. A commercial banking corporation is a corporation which receives the money of others on deposit and uses it, together with its own capital, to form a joint fund which it makes a business of employing either

directly or indirectly in one or more of the following uses:

"The making of loans;

"The maintenance of a note circulation; or

"The purchase, sale or collection of bills of exchange or other kinds of negotiable paper.

"SEC. 117. A commercial banking corporation, in addition to the general powers incident to corporations as set forth in this Act, as amended, shall have all such incidental powers as shall be necessary to carry on the business of banking, by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; and by loaning money against personal security or against securities consisting of personal property or first mortgages on improved real estate and insured improvements thereon: Provided, however, That no loan made against real estate security shall have a maturity in excess of five years, that such loan shall not exceed sixty per centum of the appraised value of the real estate security, plus sixty per centum of the appraised value of the insured improvements, and that the aggregate of such loans shall not exceed twenty-five per centum of the unimpaired capital stock and surplus or one-half of the total savings deposits of such banking corporation, at the option of such commercial banking corporation. And provided, further, That banking corporations engaged in the business of making loans secured by real estate, in accordance with their charters and the laws under which they were organized before the passage of this Act, may continue to make such loans on real estate as prescribed by such charters and laws. Nothing in this section shall be considered as preventing a commercial banking corporation 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 the commercial banking corporation.

"SEC. 118. No commercial banking corporation incorporated under the laws of the Philippine Islands shall be permitted to commence operations unless its articles of incorporation show under oath of the incorporators that the paid-in capital stock of such corporation is not less than five hundred thousand pesos if located in a city or municipality the total number of inhabitants of which amounts to two hundred thousand persons or more. In the case of commercial banking corporations located in cities or municipalities with more than fifty thousand persons and less than two hundred thousand persons, the minimum requirement as regards paid-in capital stock shall be one hundred thousand pesos. In the case of commercial banking corporations located in cities or municipalities with less than fifty thousand persons, the minimum requirement as regards paid-in capital stock shall be fifty thousand pesos. The population of any city or municipality shall be deemed to be that shown in the records of the Department of the Interior as certified to by the Secretary of the Department. But no commercial banking corporation may accept savings deposits unless it complies with the minimum capital stock requirements of savings and mortgage banks located in the same place.

"If the total deposits of such a commercial banking corporation amount to more than ten times the unimpaired capital stock and surplus, additional capital shall be paid in so that as nearly as possible the bank shall have at least one peso of unimpaired capital and surplus for each ten pesos of deposits. The adjustment of the capital stock account herein required shall take place on the thirty-first day of December of each year.

"Except with the approval of the Bank Commissioner no such commercial banking- corporation may carry on deposit with another person, firm, corporation, or entity, an amount in excess of twenty-five per centum of the unimpaired capital and surplus of such commercial banking corporation after deducting sums due by it to such person, firm, corporation or entity.

"SEC. 119. The total liabilities to a commercial banking corporation of any person, or of any company, corporation, or firm, for money borrowed, including in the liabilities of the company or firm the liabilities of the several members thereof, shall at no time exceed fifteen per centum of the unimpaired capital and surplus of such bank. 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; and in addition to the fifteen per centum of the unimpaired capital and surplus of a banking corporation hereinabove provided for the total liabilities of any borrower may amount to a further fifteen per centum of the unimpaired capital and surplus of such banking corporation provided such additional liabilities are secured by shipping documents, warehouse receipts or other similar documents transferring or securing title covering readily marketable, non-perishable staples, when such staples are fully covered by insurance, and when such staples have a market value equal to at least one hundred and twenty-five per centum of such additional liabilities.

"No commercial banking corporation shall hereafter make any loan upon the stock of any other corporation as collateral if the aggregate market value of all such stock held as collateral exceeds an amount equal to fifteen per centum of the unimpaired capital stock and surplus of such commercial banking corporation.

"The provisions of this section shall apply to the Philippine National Bank and to the Bank of the Philippine Islands irrespective of anything to the contrary contained in their respective charters; provided they agree to accept the foregoing provisions together with the provisions of sections one hundred twenty-five, one hundred twenty-six and one hundred thirty-three of this Act, as amended.

"SEC. 120. No commercial banking corporation organized under this Act shall make any loan or discount on the security of the shares of its own capital stock, nor be the purchaser or holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith, and stock so purchased or acquired shall, within six months from the time of its purchase, be sold or disposed of at public or private sale, or, in default thereof, a receiver may be appointed to close up the business of the bank in accordance with law.

"SEC. 121. No such commercial banking corporation shall at any time be indebted or in any way liable to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, except on account of demands of the following nature:

"(1) Moneys deposited with or collected by the bank;

"(2) Bills of exchange or drafts drawn against money actually on deposit to the credit of the bank or due thereto;

"(3) Liabilities to the stockholders of the bank for dividends and reserve profits.

"SEC. 122. Such commercial banking corporation may purchase, hold, and convey real estate for the following purposes and no other:

"(1) 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 thereon shall not exceed twenty-five per centum of the paid-up capital stock and surplus of such commercial banking corporation;

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

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

"(4) Such as it shall purchase at sales under judgments, decrees, mortgages, or trust deeds held by the bank or shall purchase to secure debts due to it.

"But no commercial banking corporation 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. 123. No such commercial banking corporation shall loan money to any director or officer thereof, unless

such loan shall previously have been approved in writing by a majority of the directors thereof, excluding the borrowing director, and such approval shall have been entered upon the records of the bank.

"SEC. 124. If losses have at any time been sustained by any such commercial banking corporation 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. 125. Every such commercial banking corporation shall at all times have on hand in lawful money of the Philippine Islands or of the United States, an amount equal to at least eighteen per centum of the aggregate amount of its deposits in current accounts which are payable on demand and of its fixed deposits coming due within thirty days. Such commercial banking corporation shall also at all times maintain reserve equal in amount to at least five per centum of its total savings deposits. The said reserve may be maintained in the form of lawful money of the Philippine Islands or of the United States, or in bonds issued or guaranteed by the Government of the Philippine Islands or of the United States. Such bonds may be kept on hand in the vaults of the bank or may be kept on deposit with the Insular Treasurer or with any fiscal agent of the Philippine Government abroad. The depositing bank shall have the right to collect the interest accruing on such securities and to substitute from time to time other securities issued and guaranteed by the Government of the Philippine Islands or of the United States for those already on deposit. But any such commercial banking corporation in the Philippine Islands which shall have given the security required by section six hundred twenty-five of Act Numbered Twenty-seven hundred eleven, as amended, and been designated a Government depository as in said section provided, shall not in addition to such security be required to hold a reserve of eighteen per centum and five per centum of the amount of such Government deposits as may be made therein, the provisions of any other law or the by-laws of the commercial banking corporation to the contrary notwithstanding. The term 'lawful money of the Philippine Islands' shall include Treasury certificates legally issued under authority of the Government of the Philippine Islands, and the term 'lawful money of the United States' shall include gold and silver certificates of the United States and bank notes issued under the authority of the laws of the United States: Provided, however, That in the case of a bank having branches as provided in section one hundred and twenty-eight of this Act, as amended, the provision regarding reserve shall be deemed to be complied with if the principal bank and its branches in the Philippine Islands in the aggregate have on hand the required amount of reserve.

"The percentage of reserve to deposits in the case of the Philippine National Bank and the Bank of the Philippine Islands is hereby fixed at eighteen per centum of demand deposits and fixed deposits payable within thirty days and five per centum of savings deposits, in the same manner as is prescribed in this section for commercial banking corporations in general, which reserve against savings deposits may consist of Philippine Government or United States Government bonds.

"SEC. 126. Whenever the reserve as denoted in the last preceding section of any commercial banking corporation shall be below the amount required in that section such commercial banking corporation shall not diminish the amount of such reserve by making any new loans or discounts, or declare any dividend out of its profits until the required proportion between the aggregate amount of its deposits and its reserve has been restored. Reserve deficiencies shall be penalized at the rate of one per cent per month upon the amount of the certificate and for the periods of their duration in accordance with a regulation to be issued by the Bank Commissioner. The penalty assessed shall be collected by the Collector of Internal Revenue in accordance with the rules, regulations and procedure to be determined by him. In the case of any commercial Banking corporation whose reserve is continuously deficient for a period of thirty days, the business of such corporation may be wound up by the Bank Commissioner in accordance with section sixteen hundred and thirty-nine of Act Numbered Twenty-seven hundred and eleven, as amended, known as the Administrative Code.

"The provisions of this section shall apply to the Philippine National Bank and the Bank of the Philippine Islands.

"SEC. 127. Each such commercial banking corporation before the declaration of a dividend, shall carry ten per centum of its net profits accruing since the last preceding dividend to surplus until the same shall amount to twenty per centum 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 business of the commercial banking corporation may be charged against the surplus. Nothing herein contained shall prevent the accumulation of a larger surplus should the directors so determine.

"SEC. 128. Any such commercial banking corporation having a paid-up capital of not less than one million pesos, may establish with the prior approval of the bank commissioner a branch or branches in any city or municipality in the Philippine Islands, and the corporation shall be responsible for all the business conducted in its branch or branches to the same extent and in the same manner as though such business had all been conducted in the principal institution. In the case of the establishment of a branch or branches, the business shall be treated as an entirety.

"SEC. 129. Any director or officer of any commercial banking corporation 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 a fine of not less than one thousand nor more than ten thousand pesos and by imprisonment for not less than two nor more than ten years."

TRUST CORPORATIONS

SEC. 8. Sections one hundred and thirty-one to and including section one hundred and forty-six of said Act are hereby amended so that they shall read as follows:

"SEC. 131. 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.

"SEC. 132. No trust corporation shall be permitted to file articles of incorporation with the Director of the Bureau of Commerce and Industry until such articles of incorporation have been filed in accordance with section nine and one-half of this Act or to receive his certificate of incorporation unless such articles show under oath of the incorporators that the paid-in capital stock of such corporation is not less than five hundred thousand pesos in cities and municipalities with inhabitants numbering two hundred thousand or more and two hundred fifty thousand pesos in cities and municipalities numbering less than two hundred thousand. The population of any city or municipality shall be deemed to be that shown in the records of the Department of the Interior as certified to by the Secretary of the Department.

"SEC. 133. A trust corporation may, with the approval of the Bank Commissioner, do a commercial banking business but such business must be kept separate and distinct from its trust business. All relevant provisions of this law governing the business of commercial banking corporation shall be held to apply to the commercial banking activities of a trust corporation.

"A commercial banking corporation which has a paid-in capital equal to that required in section one hundred and thirty-two of this Act may, with the approval of the Bank Commissioner, be authorized to carry on the business of a trust corporation, but shall be subject to the same provisions of law as regards its trust business as govern the trust; business of a trust corporation. Under the same conditions, the Philippine National Bank and the Bank of the Philippine Islands are hereby authorized to carry on a trust business, any provisions in their charters to the contrary notwithstanding.

"SEC. 134. A trust corporation, in addition to the powers conferred by the general corporation laws, shall have power—

"(1) To act as trustee on any mortgage or bond issued by any municipality, body politic, or corporation, and to accept and execute any other municipal or corporate trust not inconsistent with law;

"(2) To act under the order or appointment of any court of record as guardian, receiver, trustee, or depository of the estate of any minor, insane person, idiot, habitual drunkard, or other incompetent or irresponsible person, and as receiver and depository of any moneys paid into court 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;

"(3) 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;

"(4) 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;

"(5) To accept and execute any legal trust confided to it by any court of record or by any person or corporation for the holding, management, and administration of any estate, real or personal, and the rents, issues, and profits thereof. "

"SEC. 135. Except as may hereinafter be provided, no bond or other security shall be required from any such trust corporation for the faithful performance of its duties as trustee, executor, administrator, guardian, receiver, or depository: Provided, however, That the court or officer appointing such corporation 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 the corporation to give the security required its appointment as trustee, executor, administrator, guardian, receiver, or depository shall be revoked.

"The court shall require the corporation 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. 136. Upon the application of any executor, administrator, guardian, receiver, trustee, or depository or any other person in interest, any court having jurisdiction of such officer, trustee, receiver, or depository and of 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, trustee, receiver, or depository to deposit with some trust corporation lawfully doing business in the Philippine Islands the whole or any part of the moneys or personal property held by such officer, trustee, receiver, or depository. Upon presentation to the court of the receipt or written acknowledgment of the trust corporation 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 to the court may seem proper: Provided, however, That the reduced bond shall be sufficient to adequately secure 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 corporation in conformity with this section shall be held by said corporation under the orders and directions of the court.

"SEC. 137. All moneys, properties, or securities received a by any trust corporation 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. 138. No trust corporation 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 corporation, acting as trustee of any legal trust, to execute such trust in accordance with the lawful terms of the trust.

"SEC. 139. Deposits or moneys received by any trust corporation 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 corporation a trustee, unless otherwise directed by the instrument creating the trust, can be loaned and invested only in accordance with the provisions of law governing the loans and investments of savings and y. mortgage banks. Any officer or director authorizing or making any loan on security otherwise than provided in this section shall be punished by imprisonment not exceeding ten years and by a fine of not less than one thousand nor more than five thousand pesos.

"SEC. 140. The capital stock and funds of the corporation other than those mentioned in section one hundred and thirty-nine may be loaned or otherwise invested as the by-laws may prescribe, unless the corporation does a commercial banking business in addition to its trust business, in which case the investment of its funds other than trust funds shall be governed by the relevant provisions of law governing commercial banking corporations.

"As regards real estate acquired by a trust corporation, in whatever manner and for whatever purpose, such corporation shall be governed by the same provisions of law, as govern commercial banking corporations.

"SEC. 141. As security for the faithful performance of its trust duties, every trust corporation before transacting trust business shall carry on deposit with the Insular Treasurer or some fiscal agent of the Philippine Government designated by him cash or securities of the class made eligible by this Act for the investment of, the deposits of savings and mortgage banks and approved by the Bank Commissioner in an amount equal to not less than one hundred thousand pesos: Provided, however, That upon the order of the Bank Commissioner, approved by the Secretary of Finance, any trust corporation may be required to increase the amount of securities on deposit with the said Insular Treasurer or fiscal agent whenever in the judgment of the said Bank Commissioner and Secretary of Finance such increase is necessary by reason of the growth of the trust business of the corporation.

"A trust corporation, so long as it shall continue solvent and comply with the laws in force in the Philippine Islands, shall have the right to collect the interest earned on the securities so deposited and from time to time to exchange such securities for others as may be approved by the Bank Commissioner. The Insular Treasurer or fiscal agent shall not, however, release or exchange the securities held or permit the collection of interest earned thereon until the Bank Commissioner shall have approved such transactions.

"All claims arising out of the trust business of the trust corporation shall have priority over all other claims as regards the securities deposited as above provided. The Bank Commissioner may not permit the securities deposited in accordance with the terms of this section to be reduced below the minimum amount of one hundred thousand pesos until the depositing corporation shall discontinue its trust business and shall satisfy the Bank Commissioner that it has complied with all of its obligations arising out of such business.

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

"SEC. 142. Each such trust corporation, before the declaration of a dividend, shall carry ten per centum of its net profits accruing during the fiscal period to surplus until the same shall amount to twenty per centum of its paid-in capital stocks: no part of the surplus at any time shall be paid out in dividends but losses accruing in the course of business may be charged against the surplus. Nothing herein contained shall prevent the accumulation of a larger surplus should the directors so determine.

"SEC. 143. No loan shall be made by any trust corporation, directly or indirectly, to any director or officer thereof, except by written approval of the majority of the directors.

"Any officer or director of a trust corporation authorizing, receiving, or making any such loan without the authority prescribed shall be punished by imprisonment for not less than five years nor more than ten years and by a fine of not less than two thousand nor more than twenty thousand pesos.

"SEC. 144. Any director or officer of any trust corporation who receives for said corporation or permits or causes of to be received by said corporation any deposit or who pays out or permits or causes to be paid out any funds of said corporation or who transfers or permits or causes to be transferred any securities or property of said corporation after said corporation becomes insolvent, shall be punished by a fine of not less than one thousand nor more than ten thousand pesos and by imprisonment for not less than two nor more than ten years.

"SEC. 145. The ordinary business of any trust corporation shall be transacted at the place of business specified in its articles of incorporation: Provided, however, That a trust corporation with a paid-in capital stock of at least one million pesos may establish branches provided it complies with the relevant provisions of law governing commercial banking corporations.

"SEC. 146. Savings banks, commercial banks, banks of issue and discount, trust corporations, and banking institutions of every kind shall be subject to all the provisions of Act Numbered Twenty-seven hundred and eleven, as amended, in respect to the examination and inspection of banks and banking institutions."

BUILDING AND LOAN ASSOCIATIONS

SEC. 9. Sections one hundred and seventy-one to and including section one hundred ninety of the same Act are hereby amended so that they shall read as follows:

"SEC. 171. 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 stock, 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 the pledge of shares of capital stock owned by the stockholders as collateral security, shall be known as building and loan associations, 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 after the date when this Act, as amended, shall become effective upon property that is suitable for use only as a manufacturing plant, theater, public hall, church, convent, school, club, hotel, garage, or other public building. To facilitate the investment of the idle funds of a building and loan association, however, the Bank Commissioner, with the approval of the Secretary of Finance, may, in special instances, waive the provisions of this paragraph.

"SEC. 172. The articles of incorporation shall state the purposes of the association as set forth in section one hundred and seventy-one.

"SEC. 173. Any person may become a stockholder of any building and loan association by subscribing for one or more shares therein and signing by-laws of the association, following his signature with his post-office address, but after the date when this Act, as amended, shall take effect, 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 centum of the total assets of the association, nor may such association make a loan upon any one piece of real estate amounting to more than ten per centum of the total assets of the association. In the case of any 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 Bank Commissioner shall issue a regulation governing the basis upon which the total assets are to be considered in determining the foregoing limitations.

"SEC. 174. 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 cash and also investment stock to be paid in installments, and may pay to the holders of such paid-up stock out of the net profits such rates of dividends as may be fixed from time to time by the board of directors of the association, which shall be expressed in the stock certificates and shall not participate further in the profits or accretions of the association. Paid-up stock issued after the date when this Act shall become effective shall not be entitled to vote. The dividends payable upon such paid-up stock shall not be accumulative 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 in connection with such stock in that year. Either paid-up or investment stock may be surrendered by the holder any time upon the giving of such notice as the association may fix not to exceed one year and upon such surrender the holder will be entitled to receive only the amount of principal invested together with the earned dividend fixed by the board of directors and expressed, in the case of paid-up stock, in the stock certificates. The capital stock shall consist of the proceeds of such paid-up and investment stock and such accumulated dues together with the earnings and profits of the association, and shall in no case exceed twenty million pesos.

"SEC. 175. The capital stock shall be divided into shares of the matured or par value of two hundred pesos each.

"SEC. 176. Certificates of stock shall be issued to each stockholder on the payment of membership fee and first installment of dues by him. The association shall have the power to charge a membership or entrance fee not exceeding one peso upon 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. 177. Payment of dues on shares of stock shall commence from the time that such shares were issued.

"SEC. 178. For any neglect, refusal, or failure to make payment of dues or premiums or interest on loans when due, the association shall have power by its by-laws to impose and collect a fine on the delinquent or defaulting stockholder not exceeding ten per centum of the defaulted amount due from him and a like fine on every regular pay day during such default. Payments of dues or interest may be made in advance, but the association shall not allow interest on such advance payments at a greater rate than six per centum per annum nor for a longer period than one year.

"SEC. 179. 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 shall not 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. In determining the withdrawal value of such forfeited shares the board of directors shall charge such shares with all fines assessed in accordance with the preceding section.

"SEC. 180. 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 determined 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 determined by the bylaws and at no time shall more than one-third of the receipts of the association be applied to the payment of matured shares without the consent of the board of directors: 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 pledged shares shall not be returned to a shareholder unless such value is applied in a liquidation of the loan which the shares secure.

"SEC. 181. The moneys in the hands of the treasurer of the association and such sums as may be borrowed by association for the purpose shall be loaned out in open meeting to the stockholders who shall pay the highest premium for such loan or said moneys may be loaned at such premium not exceeding two per centum per annum as may be fixed from time to time by the board of directors. The premium for the first three years may be deducted from the amount of the loan, but not more than one-third of the premium so deducted shall be credited to profit and loss in any one year. The portion of the premium not deducted from the amount of the loan must be paid to the association in such installments as the by-laws shall determine: Provided, however, That the number of installments into which the premium is divided shall be uniform for all loans made by the association and that the time and manner of payment of such installments shall be prescribed in the by-laws. In no event, however, shall an amount of premium in excess of two per centum of the loan be considered as earnings in any one year and in the event of the payment of the loan and the withdrawal of the stockholder from the association, the stockholder shall be entitled to have considered as a part of the withdrawal value of the shares of stock all unearned premiums paid to the association.

"By the affirmative vote of a majority of all the directors the association may borrow money for such temporary uses and purposes of the association as the exigencies of the business may demand provided such borrowing 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 centum of the capital stock of all classes of such association actually paid in.

"After the date when this Act, as amended, shall take effect, no director or officer of any building and loan association shall either directly or indirectly, for himself or as the representative or agent of others, borrow any of the funds of such association except upon the pledge of shares of such association with a withdrawal value in excess of the amount borrowed, nor shall he become a guarantor, indorser, or surety upon loans granted by such association to others or in any manner be an obligor for moneys borrowed from the association or loaned by it unless such borrowings are secured by the pledge of stock of such association with a withdrawal value in excess of the sums borrowed. Any director or officer of a building and loan association who violates the provisions of this paragraph shall be punished by imprisonment not exceeding five years or by a fine of not less than one thousand pesos nor more than five thousand pesos or by both such fine and imprisonment in the discretion of the court.

"SEC. 182. 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. And provided, That no loan on the security of real estate shall be made unless the title to such real estate shall have

been first registered in accordance with the Land Registration Act or under the system of registration established by the laws in force on the date of the passage of said Land Registration Act. And provided, further, That, no loan on the security of real estate shall exceed seventy per centum of the appraised value thereof plus seventy per centum of the appraised value of the insured improvements thereon.

"SEC. 183. 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 lines accrued thereon.

"SEC. 184. The rate of interest on all loans may be fixed in the by-laws or may be prescribed from time to time by the board of directors.

"SEC. 185. Whenever a borrowing stockholder shall be three months in arrears in the payment of his dues on stock or the interest or premium or installments of premium on any loan, the whole loan, at the option of the board of directors, shall become due and payable and the board may proceed by action to enforce collection upon the securities held by the association. The withdrawal value of all shares pledged as collateral security at the time of the commencement of the action shall be applied to the payment of the loan, and such shares from the time of such application shall be deemed to be surrendered to the association.

"SEC. 186. The association may purchase at any sale, public or private, any real estate upon which it may have a mortgage judgment, lien, or other encumbrance, or in which it may have any interest, and may sell, convey, lease, or mortgage such real estate: Provided, That real estate so purchased must be finally disposed of or sold by the association within five years after receiving title to the same.

"SEC. 187. 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 centum of all dividends earned by such share 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 paid in any one month to retire such shares. Payment of 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 stock shall be charged with its proportion of such loss: And provided, finally, That any fines or charges lawfully chargeable against such stock may be deducted before making payment to the stockholder. Except in cases of voluntary or forced liquidation of a building and loan association or forfeiture as provided by section one hundred and seventy-nine of this Act, the board of directors of such association shall not have power to force the surrender and withdrawal of unmatured stock.

"SEC. 188. 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 the expenses and losses incurred in conducting its business and from the net earnings so obtained there shall be deducted a sum equal to five per centum of such net earnings which sum shall be credited to a reserve account. The said percentage of net earnings shall be credited to the said reserve account until such time as the reserve equals five per centum of the total assets of the association, and the reserve shall be maintained at five per centum of the total assets, and shall be available for meeting losses incurred by the association. The net earnings which remain after making the foregoing deductions shall constitute the profits of the association available for apportionment among the shareholders. 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.

"SEC. 189. Building and loan associations shall be subject to all the provisions of Act Numbered Twenty-seven hundred and eleven, as amended, with respect to the examination and inspection of banks and banking institutions.

"SEC. 190. No foreign building and loan association or building and loan association not formed, organized, or existing under the laws of the Philippine Islands shall be permitted to transact business in the Philippine Islands.

"SEC. 190 1/7. The violation of any of the provisions of this Act and its amendments not otherwise penalized therein, shall be punished by a fine of not more than one thousand pesos and by imprisonment for not more than five years in the discretion of the court. 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 Attorney-General or by any provincial fiscal, by order of said Attorney-General: Provided, That nothing in this section provided shall be construed to repeal the other causes for the dissolution of corporations prescribed by existing law, and the remedy provided for this section shall be considered as additional to the remedies already existing."

SEC. 10. The following general provisions are hereby inserted after section one hundred ninety and one-seventh of said Act Numbered Fourteen hundred and fifty-nine, as amended:

PROVISIONS AFFECTING BANKING INSTITUTIONS IN GENERAL

"SEC. 190 2/7. No savings and mortgage bank, commercial banking corporation, trust corporation, building and loan association, or any other banking institution subject to the supervision of the Bureau of Banking, shall enter directly or indirectly into any contract of guaranty or surety ship or shall guarantee the interest or principal of any obligation of any other person, firm, company, association, corporation or other entity. The provisions of this section shall not, however, be held to apply to the borrowing of money by any such institution through the re-discounting 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 business of any such institution.

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 coming within the common usage and practice of commercial banking institutions.

"SEC. 190 3/7. No bank, banking institution, or building and loan association organized under the laws of the Philippine Islands shall hereafter open a branch or branches without first having obtained the written approval of the Bank Commissioner to the opening of such branch or branches, which written approval shall be given unless he has evidence to show that the establishment of the proposed branch or branches will be prejudicial to the interest of the public, in which case he shall state in writing his reasons for refusing to give the approval. In case of the refusal of the Bank Commissioner to give such approval, the parties applying therefor may appeal to the Secretary of Finance as provided by section one hundred ninety and six-sevenths hereof.

"SEC. 190 4/7. After the date of the approval of this Act, no person, association or corporation not conducting the business of a savings and mortgage bank, commercial banking corporation, trust corporation or building and loan association as denned in this Act shall advertise or hold itself out as being engaged in the business of such an institution, or use in connection with its business title the word or words 'bank,' 'banking,' 'banker,' 'building and loan association,' 'trust corporation' or words of similar import, or solicit or receive deposits of money for deposit, disbursement, safe-keeping, or otherwise, or transact in any manner the business of any such institution without having first complied with the provisions of this Act in so far as it relates to sayings and mortgage banks, commercial banking corporations, trust corporations 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 permitted or repeated, and in default of the payment thereof by subsidiary imprisonment as prescribed by law.

"Section one hundred thirty of Act Numbered One thousand four hundred fifty-nine, as amended, is hereby repealed.

"SEC. 190 5/7. In the case of the voluntary liquidation of any bank, banking institution, or building and loan association incorporated under the laws of the Philippine Islands or of any Philippine branch of a foreign bank or banking institution, written notice of such liquidation shall be sent to the Bank Commissioner before such liquidation shall be undertaken, and the Bank Commissioner shall have the right to intervene and take such steps as may be necessary to protect the interests of the creditors.

"SEC. 190 6/7. Any opinion, decision, ruling, or regulation made or issued by the Bank Commissioner under the provisions of this Act may be appealed to the Secretary of Finance who shall have the power and authority either to confirm, modify, or repeal such opinion, decision, ruling, or regulation made or issued as aforesaid; and the action of the Secretary of Finance in the premises shall be final, unless modified or reversed by the Governor-General."

SEC. 11. This Act shall take effect on its approval.

Approved, December 3, 1929.

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