

[PRESIDENTIAL DECREE NO. 1795, January 16, 1981]

AMENDING FURTHER REPUBLIC ACT NO. 337, AS AMENDED, OTHERWISE KNOWN AS THE "GENERAL BANKING ACT"

WHEREAS, it is imperative to strengthen the supervisory and regulatory authority of the Central Bank over the financial system;

WHEREAS, the Central Bank should be given more flexibility in order to make the financial system more responsive to the needs of the development program of the Government;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree the amendment of Republic Act No. 337, as amended, as follows:

SECTION 1. Paragraph 4 of Section 21-B of Republic Act No. 337, as amended, is hereby amended to read as follows:

"In order to avoid undue concentration of economic power, the total equity investments of banks, quasi-banks and their subsidiaries in any single non-allied enterprise or industry may be subject to such limitations as may be prescribed by the Monetary Board, but shall in any case remain a minority in any such enterprise except as may be otherwise approved by the President (Prime Minister)."

SEC. 2. Section 21-C of the same Act is hereby amended by adding a second paragraph to read as follows:

"Any of these entities owning or controlling the whole or majority of the voting stock of a thrift bank and/or rural bank may be required to submit statements of condition and other reports necessary to determine compliance with the provisions of this Section and the pertinent laws and rules and regulations, and subjected to special examination or investigation. "

SEC. 3. The second paragraph of Section 22 of the same Act is hereby amended to read as follows:

"The Monetary Board shall prescribe the manner of determining the total assets of banking institutions for the purposes of this Section,

SEC. 4. The third paragraph of Section 23 of the same Act is hereby amended to read as follows:

"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 papers 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: *Provided, That*

even if the parent corporation, co-partnership or association has no liability to the bank, the Monetary Board may prescribe the combination of the liabilities of subsidiary corporations or members of the co-partnership or association under certain circumstances, including but need not be limited to any of the following situations: (a) the parent corporation, co-partnership or association guarantees the repayment of the liabilities; (b) the liabilities were incurred for the accommodation of the parent corporation or another subsidiary or of the co-partnership or association; or (c) the subsidiaries through separate entities operate merely as departments or divisions of a single entity: *Provided, further,* That 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 purpose of this Section: *Provided, finally,* That certain types of contingent liabilities of borrowers may be included among total liabilities as may be determined by the Monetary Board."

SEC. 5. The second paragraph of Section 30 of the same Act is hereby amended to read as follows:

"The Monetary Board shall prescribe the manner of determining the total assets of banking institutions for the purposes of this Section."

SEC. 6. The first paragraph of Section 32 of the same Act is hereby amended to read as follows:

"**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 several members thereof, for money borrowed, excluding (a) loans secured by obligations of the Central Bank or of the Philippine Government, (b) loans fully guaranteed by the Government as to the payment of principal and interest, (c) loans to the extent covered by holdout on, or assignment of, deposits maintained in the lending bank and held in the Philippines, and (d) other loans or credits as the Monetary Board may, from time to time, specify as non-risk assets, shall at no time exceed fifteen percent (15%) of unimpaired capital and surplus of the bank."

SEC. 7. The third paragraph of Section 32 of the same Act is hereby amended to read as follows:

"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 papers 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: *Provided,* That even if the parent corporation, co-partnership or association has no liability to the bank, the Monetary Board may prescribe the combination