

# **[ PRESIDENTIAL DECREE No. 1828, January 16, 1981 ]**

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

WHEREAS, it is recognized that business stability in the financial system is vital to the economic growth and development of the country;

WHEREAS, recent developments in the banking and financial industry indicated a need to install further stability in the financial system;

WHEREAS, such stability can be achieved by strengthening and giving more flexibility to the supervisory and regulatory authority of the Central Bank over the financial system.

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 further amendment of Republic Act No. 337, as amended, as follows:

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

"Sec. 4. The determination of whether a person or an entity is (a) performing banking or quasi-banking functions, or (b) engaged in other types of financial intermediation shall be decided by the Monetary Board subject to judicial review. For the purpose of resolving such issue; the Monetary Board may, through appropriate supervising department of the Central Bank, examine inspect or investigate the books and records of such person or entity. The department head and the examiners of said appropriate supervising department are hereby authorized to administer oaths to any such person or director, officer or employee of any such entity and to compel the presentation or production of all books, documents, papers or records necessary in their judgment to ascertain the facts relative to the true functions and operations of such person or entity. Failure or refusal to comply with the required presentation or production of such books, documents, papers or records shall subject the persons responsible therefor to the penal sanctions provided under Section 34 of R.A. No. 265, as amended. Persons or entities found by the Monetary Board to be performing banking or quasi-banking functions without the required prior authorization of the Monetary Board may, in addition to the proceedings provided under Section 34 of Republic Act No. 265, as amended, be subject to the imposition of fine of not in excess of P500 per day reckoned from the date the unauthorized banking or quasi-banking functions were performed and may be referred to the Securities and Exchange Commission for the revocation of its license to do business."

SEC. 2. Section 12-B of the same Act is hereby amended by adding a new paragraph after the second paragraph thereof to read as follows:

"The Monetary Board may, however, exempt voting stockholdings of corporations from the application of the above prescribed ceilings, in exceptional cases and when the circumstances warrant, such as but not limited to, purchases in the equity of distressed banks for purposes of rehabilitation."

SEC. 3. Section 12-D of the same Act is hereby amended by adding a new paragraph after the last paragraph thereof to read as follows:

"The Monetary Board may, however, exempt voting stockholdings of any person, or persons related to each other within the third degree of consanguinity or affinity or corporations from the application of the above prescribed ceilings in exceptional cases and when the circumstances warrant, such as but not limited to, purchases in the equity of distressed banks for purposes of rehabilitation."

SEC. 4. Section 32 of the same Act is hereby amended by adding a new paragraph after the last paragraph thereof to read as follows:

"Loan accommodations granted by savings and mortgage banks to any other bank as well as deposits maintained by them in any bank licensed to do business in the Philippines, shall be subject to the loan limit of any single borrower as herein prescribed."

SEC. 5. The third paragraph of Section 56 of the same Act is hereby amended to read as follows:

"No trust company or bank engaged in the business of a trust company shall, for the account of the trustor or the beneficiary of the trust, purchase or acquire property from, or sell, transfer, assign or lend money or property to, or purchase debt instruments of, any of the departments, directors, officers, stockholders, or employees of the trust company or bank, or relatives within the first degree of consanguinity or affinity, or the related interests, of such directors, officers and stockholders, unless the transaction is specifically authorized by the trustor and the relationship of the trustee and the other party involved in the transaction is fully disclosed to the trustor or beneficiary of the trust prior to the transaction."

SECTION 6. Section 58 of the same Act is hereby amended by adding a new provision after Item (e) thereof to read as follows:

"(f) To establish and manage common trust funds, subject to such rules and regulations as may be prescribed by the Monetary Board."

SECTION 7. Section 61 of the same Act is hereby amended to read as follows:

"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 persons, 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 under any instrument constituting it as trustee shall be kept separate and distinct from all other funds, properties, and assets of its general business. The accounts of all such money, properties, or securities shall likewise be kept separate and distinct from the accounts of its general business."

SECTION 8. Section 66 of the same Act is hereby amended by making the last sentence thereof as its last paragraph and by adding a new paragraph as a second paragraph thereof to read as follows:

"Sec. 66. Every trust company, before the declaration of a dividend, shall carry to surplus ten per cent (10%) of its net profit accruing since the last preceding