

# [ PRESIDENTIAL DECREE NO. 1317, March 29, 1978 ]

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

**WHEREAS**, it is the responsibility of the government to foster conditions conducive to the development of healthy competition among the different banking institutions;

**WHEREAS**, one important segment of the banking industry is the thrift banking system whose continued viability is essential to the efficient functioning of the financial system as well as to the attainment of national economic goals; and

**WHEREAS**, a strong thrift banking system will further enhance its capacity to service fully the increasing needs of households for a more convenient payments facility for personal and consumer finance as well as for long-term financing for home building and home development;

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

**SECTION 1.** Section 20 of Republic Act No. 337, as amended, is hereby further amended to read as follows:

"**SEC. 20.** A commercial bank shall be a corporation primarily organized for the purpose of performing the functions provided in section twenty-one of this Act and of accepting or creating demand deposits subject to withdrawal by check."

**SEC. 2.** Subsection (a) of Section 31 of the same Act is hereby further amended to read as follows:

"(a) Loans with the security of their own savings and time deposit obligations or of mortgage and chattel mortgage bonds which they have issued, or with the security of savings and time deposit obligations of other banks doing business in the Philippines: *Provided*, That subject to such regulations as the Monetary Board may prescribe, banks may grant: (1) clean loans for personal and household finance in amounts not exceeding the borrower's savings and time deposits in the bank plus his four months salary or regular income whether from employment or from his own business, and (2) Loans for personal and household finance secured by real estate or chattel mortgage. The aggregate loans granted under subsection (2) shall not exceed ten per cent (10%) of the total assets of the bank."

**SEC. 3.** Subsection (b) of Section 31 of the same Act is hereby amended to read as follows:

"(b) Loans of the following types:

"(1) Loans to encourage the breeding, raising and production of cattle, carabao and other livestock, with maturities up to three years: *Provided, however*, That the Monetary Board

may, in special cases and notwithstanding the provisions of the last paragraph of Section seventy-eight of this Act, allow longer maturities. Loans under this subsection 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; *Provided, however,* That the livestock need not secure the loan if the borrower constitutes a lien or mortgage on real estate property seventy per cent (70%) of the appraised value of which equals or exceeds the amount of the loan granted. 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 any instruments, machinery and other movable equipment for the production, processing, transformation, handling or transportation of agricultural and industrial products for the use of the borrower. Such loans shall constitute a first lien on the assets so 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: *Provided,* That the lien need not be constituted if the borrower executes a mortgage on real estate property seventy per cent (70%) of the appraised value of which equals or exceeds the amount of the loan granted.

"(3) Loans for the acquisition of agricultural inputs, such as seeds, fertilizers, feeds and other similar items. Such loans shall be secured either by chattel mortgage on growing, standing or stored crops or by any other acceptable collateral and shall be subject to such ceiling and regulations as the Monetary Board may prescribe: *Provided,* That the bank shall be empowered to require as additional security a lien or mortgage on other properties of the debtor: *Provided, further,* That such loans need not be secured by the growing, standing or stored crops or other collateral if the borrower executed a mortgage on real estate property seventy per cent (70%) of the appraised value of which equals or exceeds the amount of the loan granted."

**SEC. 4.** Subsection (e) of Section 31 of the same Act is hereby amended to read as follows:

"(e) High grade bonds and other evidences of indebtedness, and loans against such obligations, and commercial papers and accounts receivable discounted with recourse, subject to such rules as the Monetary Board may promulgate."

**SEC. 5.** Section 31 of the same Act is hereby amended by adding a new subsection after subsection (j) which shall read as follows: