

**[ REPUBLIC ACT NO. 8791, May 23, 2000 ]**

**AN ACT PROVIDING FOR THE REGULATION OF THE ORGANIZATION AND OPERATIONS OF BANKS, QUASI-BANKS, TRUST ENTITIES AND FOR OTHER PURPOSES**

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

**CHAPTER I**

**TITLE AND CLASSIFICATION OF BANKS**

SECTION 1. *Title.*—The short title of this Act shall be "The General Banking Law of 2000." (1a)

SEC. 2. *Declaration of Policy.*—The State recognizes the vital role of banks in providing an environment conducive to the sustained development of the national economy and the fiduciary nature of banking that requires high standards of integrity and performance. In furtherance thereof, the State shall promote and maintain a stable and efficient banking and financial system that is globally competitive, dynamic and responsive to the demands of a developing economy, (n)

SEC. 3. Definition and Classification of Banks.—

3.1 "Banks" shall refer to entities engaged in the lending of funds obtained in the form of deposits. (2a)

3.2 Banks shall be classified into:

- a. Universal banks;
- b. Commercial banks;
- c. Thrift banks, composed of: (i) Savings and mortgage banks, (ii) Stock savings and loan associations, and (iii) Private development banks, as defined in Republic Act No. 7906 (hereafter the "Thrift Banks Act");
- d. Rural banks, as defined in Republic Act No. 7353 (hereafter the "Rural Banks Act");
- e. Cooperative banks, as defined in Republic Act No. 69a8 (hereafter the "co-operative Code");
- f. Islamic banks as defined in Republic Act No, 6848, otherwise known as the Charter of Al Amanah Islamic Investment Bank of the 'Philippines"; and
- g. Other classifications of banks as determined by the Monetary Board of the Bangko Sentral ng Pilipinas. (6-Aa)

## CHAPTER II

### AUTHORITY OF THE BANGKO SENTRAL

SEC. 4. *Supervisory Powers.*—The operations and activities of banks shall be subject to supervision of the Bangko Sentral. "Supervision" shall include the following:

4.1 The issuance of rules of conduct or the establishment of standards of operation for uniform application to all institutions or functions covered, taking into consideration the distinctive character of the operations of institutions and the substantive similarities of specific functions to which such rules, modes or standards are to be applied;

4.2 The conduct of examination to determine compliance with laws and regulations if the circumstances so warrant as determined by the Monetary Board;

4.3 Overseeing to ascertain that laws and Regulations are complied with;

4.4 Regular investigation which shall not be oftener than once a year from the last date of examination to determine whether an institution is conducting its business on a safe or sound basis: *Provided*, That the deficiencies/irregularities found by or discovered by an audit shall be immediately addressed;

4.5 Inquiring into the solvency and liquidity of the institution (2-D) ; or

4.6 Enforcing prompt corrective action, (n)

The Bangko Sentral shall also have supervision over the operations of and exercise regulatory powers over quasi-banks, trust entities and other financial institutions which under special laws are subject to Bangko Sentral supervision. (2-Ca)

For the purposes of this Act, "quasi-banks" shall refer to entities engaged in the borrowing of funds through the Issuance, endorsement or assignment with recourse or acceptance of deposit substitutes as defined in Section 95 of Republic Act No. 7653 (hereafter the "New Central Bank Act") for purposes of relending or purchasing of receivables and other obligations. (2-Da)

SEC. 5. *Policy Direction; Ratios, Ceilings and Limitations.*— The Bangko Sentral shall provide policy direction in the areas of money, banking and credit, (n)

For this purpose, the Monetary Board may prescribe ratios, ceilings, limitations, or other forms of regulation on the different types of accounts and practices of banks and quasi-banks which shall, to the extent feasible, conform to internationally accepted standards, including those of the Bank for International Settlements (BIS). The Monetary Board may exempt particular categories of transactions from such ratios, ceilings and limitations, but not limited to exceptional cases or to enable a bank or quasi-bank under rehabilitation or during a merger or consolidation to continue in business with safety to its creditors, depositors and the general public. (2-Ca)

SEC. 6. *Authority to Engage in Banking and Quasi-Banking Functions.*—No person or entity shall engage in banking operations or quasi-banking functions without authority from the Bangko Sentral: *Provided, however,* That an entity authorized by the Bangko Sentral to perform universal or commercial banking functions shall likewise have the authority to engage in quasi-banking functions.

The determination of whether a person or entity is performing banking or quasi-banking functions without Bangko Sentral authority shall be decided by the Monetary Board. To resolve such issue, the Monetary Board may, through the appropriate supervising and examining department of the Bangko Sentral, examine, inspect or investigate the books and records of such person or entity. Upon issuance of this authority such person or entity may commence to engage in banking operations or quasi-banking functions and shall continue to do so unless such authority is sooner surrendered, revoked, suspended or annulled by the Bangko Sentral in accordance with this Act or other special laws.

The department head and the examiners of the appropriate supervising and examining department are hereby authorized to administer oaths to any such person, employee, officer or director of any such entity and to compel the presentation or production of such books, documents, papers or records that are reasonably necessary 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 within a reasonable time shall subject the persons responsible therefor to the penal sanctions provided under the New Central Bank Act.

Persons or entities found to be performing banking or quasi-banking functions without authority from the Bangko Sentral shall be subject to appropriate sanctions under the New Central Bank Act and other applicable laws. (4a)

SEC. 7. *Examination by the Bangko Sentral.*—The Bangko Sentral shall, when examining a bank, have the authority to examine an enterprise which is wholly or majority-owned or controlled by the bank. (21-Ba)

### **CHAPTER III**

#### **ORGANIZATION, MANAGEMENT AND ADMINISTRATION OF BANKS, QUASI-BANKS AND TRUST ENTITIES**

SEC. 8. *Organization.*— The Monetary Board may authorize the organization of a bank or quasi-bank subject to the following conditions:

8.1 That the entity is a stock corporation (7);

8.2 That its funds are obtained from the public, which shall mean twenty (20) or more persons (2-Da); and

8.3 That the minimum capital requirements prescribed by the Monetary Board for each category of banks are satisfied, (n)

No new commercial bank shall be established within three (3) years from the effectivity of this Act. In the exercise of the authority granted herein, the Monetary Board shall take into consideration their capability in terms of their financial resources and technical expertise and integrity. The bank licensing process shall incorporate an assessment of the bank's ownership structure, directors and senior management, its operating plan and internal controls as well as its projected financial condition and capital base.

SEC. 9. *Issuance of Stocks.*– The Monetary Board may prescribe rules and regulations on the types of stock a bank may issue, including the terms thereof and rights appurtenant thereto to determine compliance with laws and regulations governing capital and equity structure of banks: *Provided*, That banks shall issue par value stocks only.

SEC. 10. *Treasury Stocks.* – No bank shall purchase or acquire shares of its own capital stock or accept its own shares as a Security for a loan, except when authorized by the Monetary Board: *Provided*, That in every case the stock so purchased or acquired shall, within six (6) months from the time of its purchase or acquisition, be sold or disposed of at a public or private sale. (24-a)

SEC. 11. *Foreign Stockholdings.*–Foreign individuals and non-bank corporations may own or control up to forty percent (40%) of the voting stock of a domestic bank. This rule shall apply to Filipinos and domestic non-bank corporations. (12a; 12-Aa)

The percentage of foreign-owned voting stocks in a bank shall be determined by the citizenship of the individual stockholders in that bank. The citizenship of the corporation which is a stockholder in a bank shall follow the citizenship of the controlling stockholders of the corporation, irrespective of the place of incorporation, (n)

SEC. 12. *Stockholdings of Family Groups or Related Interests.* – Stockholdings of individuals related to each other within the fourth degree of consanguinity or affinity, legitimate or common-law, shall be considered family groups or related interests and must be fully disclosed in all transactions by such an individual with the bank. (12-Da)

SEC. 13. *Corporate Stockholdings.* – Two or more corporations owned or controlled by the same family groups or same group of persons shall be considered related interests and must be fully disclosed in all transactions by such corporations or related groups of persons with the bank. (12-Ba)

SEC. 14. *Certificate of Authority to Register.* –The Securities and Exchange Commission 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 seal. Such certificate shall not be issued unless the Monetary Board is satisfied from the evidence submitted to it:

14.1 That all requirements of existing laws and regulations to engage in the business for which the applicant is proposed to be incorporated have been complied with;

14.2 That the public interest and economic conditions, both general and

local, justify the authorization; and

14.3 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 deposits and the public interest. (9)

The Securities and Exchange Commission shall not register the by-laws of any bank, or any amendment thereto, unless accompanied by a certificate of authority from the Bangko Sentral. (10)

SEC. 15. *Board of Directors.*—The provisions of the Corporation Code to the contrary notwithstanding, there shall be at least five (5), and a maximum of fifteen (15) members of the board of directors of a bank, two (2) of whom shall be independent directors. An "independent director" shall mean a person other than an officer or employee of the bank, its subsidiaries or affiliates or related interests, (n)

Non-Filipino citizens may become members of the board of directors of a bank to the extent of the foreign participation in the equity of said bank. (SEC. 7, RA 7721)

The meetings of the board of directors may be conducted through modern technologies such as, but not limited to, teleconferencing and video-conferencing, (n)

SEC. 16. *Fit and Proper Rule.* —To maintain the quality of bank management and afford better protection to depositors and the public in general, the Monetary Board shall prescribe, pass upon and review the qualifications and disqualifications of individuals elected or appointed bank directors or officers and disqualify those found unfit.

After due notice to the board of directors of the bank, the Monetary Board may disqualify, suspend or remove any bank director or officer who commits or omits an act which render him unfit for the position.

In determining whether an individual is fit and proper to hold the position of a director or officer of a bank, regard shall be given to his integrity, experience education, training, and competence. (9-Aa)

SEC. 17. *Directors of Merged or Consolidated Banks.* – In the case of a bank merger or consolidation, the number of directors shall not exceed twenty-one (21). (13a)

SEC. 18. *Compensation and Other Benefits of Directors and Officers .*—To protect the funds of depositors and creditors, the Monetary Board may regulate the payment by the bank to its directors and officers of compensation, allowance, fees, bonuses, stock options, profit sharing and fringe benefits only in exceptional cases and when the circumstances warrant, such as but not limited to the following:

18.1 When a bank is under comptrollership or conservatorship; or

18.2 When a bank is found by the Monetary Board to be conducting business in an unsafe or unsound manner; or