

[Act No. 3520, February 20, 1929]

AN ACT REGULATING FOREIGN BANKING CORPORATIONS DOING BUSINESS IN THE PHILIPPINE ISLANDS.

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. No foreign banking corporation which accepts deposits payable in the Philippine Islands shall be permitted to do business in the Philippine Islands unless it has at all times within the Philippine Islands or on deposit outside the Philippine Islands, with a trustee to be designated by the Bank Commissioner, an amount of assets equal to at least ninety per cent of its deposits payable within the Philippine Islands. However, in order to permit the temporary investment abroad of idle funds for which there is no safe investment outlet in the Philippine Islands, the Bank Commissioner may, with the approval of the Secretary of Finance, suspend for limited periods the operation of the foregoing provisions of this section. Residents and citizens of the Philippine Islands who are creditors of a foreign banking corporation doing business in the Philippine Islands shall have preferential rights to the assets which such banking corporation has in the Philippine Islands or on deposit with a trustee as herein above provided.

SEC. 2. The total liabilities to a branch of a foreign banking corporation doing business in the Philippine Islands 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 not exceed an amount to be determined as follows:

Five per cent of its average deposits payable within the Philippine Islands during the preceding calendar year, plus fifteen per cent of the amount due by such branch to the home office and branches outside the Philippine Island after deducting from such amount sums due such branch from the home office and outside branches: *Provided, however,* That additional liabilities may be incurred by a borrower up to five per cent of the said average deposits and fifteen per cent of the said net amount due to the home office and branches outside the Philippine Islands, 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 twenty-five per cent of such additional liabilities. The discount of bills of exchange drawn in good faith against actually existing values, and the discount of commercial and business paper actually owned by the person negotiating the same, shall not be considered as money borrowed within the meaning of this section.

The net amount due the home office and branches outside the Philippine Islands shall not be reduced during the life of any loan if by such reduction such loan would become illegal.

Nothing in this Act shall be considered as restricting in any manner loans made by a branch of a foreign banking corporation operating within the Philippine Islands for account of its home office or branches outside the Islands.