

[BATAS PAMBANSA BLG. 61, April 30, 1980]

AN ACT AMENDING FURTHER REPUBLIC ACT NUMBERED THREE HUNDRED THIRTY-SEVEN, AS AMENDED, REGULATING BANKS AND BANKING INSTITUTIONS AND FOR OTHER PURPOSES, OTHERWISE KNOWN AS THE "GENERAL BANKING ACT".

Be it enacted by the Batasang Pambansa in session assembled:

SECTION 1. Section 2-A of Republic Act Numbered Three hundred thirty-seven, as amended, is hereby further amended to read as follows:

"SEC. 2-A. The following entities shall not be considered as banking institutions but shall be subject to regulation by the Monetary Board which may include, but need not be limited to, the imposition of net worth to risk assets ratios, reserve requirements, interest rate ceilings, methods of computation thereof, prescribing maximum charges which may be collected, minimum capitalization, and submission of statistical reports:

"(a) Entities regularly engaged in the lending of funds or purchasing of receivables or other obligations with funds obtained from the public through the issuance, endorsement or acceptance of debt instruments of any kind for their own account, or through the issuance of certificates of assignment or similar instruments with recourse, trust certificates, or of repurchase agreements, whether any of these means of obtaining funds from the public-is done on a regular basis or only, occasionally;

"(b) Entities regularly engaged in the lending of funds which receive deposits only occasionally; and

"(c) Trust companies, building and loan associations, and non-stock savings and loan associations, but such non-deposit accepting entities shall continue to be supervised and regulated by the Monetary Board under the pertinent provisions of this Act, and/or Republic Act Nos. 265, as amended, and 3779."

SEC. 2. Section 2-B of the same Act is hereby amended to read as follows:

"SEC. 2-B. The operations and activities of non-bank financial intermediaries, except insurance companies, shall be subject to regulation by the Monetary Board which may include, but need not be limited to, the imposition of constraints covering the (a) minimum size of funds received, (b) methods of marketing and distribution, (c) terms and maturities of funds received, and (d) uses of funds: *Provided, however,* That if such entities are authorized by the Central Bank to perform quasi-banking functions, they may be further subject to regulation under Section 2-A of this Act."

SEC. 3. Section 6-A of the same Act is hereby further amended to read as follows:

"SEC. 6-A. For purposes of uniformity, simplicity and equality of treatment, banking institutions shall be classified into the following general categories: (a) Commercial banks, (b) Thrift banks, composed of (1) Savings and mortgage banks, (2) Stock savings and loan associations, and (3) Private development banks, and (c) Rural banks. Specialized and unique government banks, such as the Development Bank of the Philippines and the Land Bank, are not covered by this classification, but shall be subject to supervision and regulation by the Central Bank pursuant to the provisions of Section twenty-five of Republic Act No. 265.

"The Monetary Board shall determine the proper classification of other types of banking institutions that may be established after the approval of this Act."

SEC. 4. Section 6-B of the same Act is hereby further amended to read as follows:

"SEC. 6-B. With prior approval of the Monetary Board, commercial banks, thrift banks and rural banks may establish branches, agencies, or extension offices, on a nationwide basis.

"Notwithstanding the provisions of any law to the contrary, no government or private banks may open branches, agencies, or extension offices without prior approval of the Monetary Board."

SEC. 5. Section 8 of the same Act is hereby further amended to read as follows:

"SEC. 8. No banking institutions shall issue no-par value stock. For the purpose primarily of determining the permanency of equity, the types of stock a banking institution may issue, including the terms thereof and the rights appurtenant thereto, shall be subject to such rules and regulations as the Monetary Board may prescribe, the provision of any law to the contrary notwithstanding."

SEC. 6. Section 12-C of the same Act is hereby amended to read as follows:

"SEC. 12-C. A corporation organized primarily for the purpose of owning equity in thrift banks or rural banks may own more than thirty percent (30%) of the voting stock of a thrift bank and/or rural bank up to a majority or all of the equity thereof: *Provided*, That the acquisition of such equity is subject to the prior approval of the Monetary Board which shall promulgate appropriate guidelines to govern such investments : *Provided, further*, That the equity ownership of any individual, related group or corporation in the parent corporation owning more than thirty percent (30%) of the voting stock of the thrift bank or rural bank is in accordance with the provisions of Sections 12 12-A, 12-B and 12-D of this Act: *Provided, finally*, That the parent company owning, a majority or all of the equity in a bank may not engage in activities not allowed to the invested bank.

SEC. 7. The same Act is hereby amended by adding a new section after Section 12-D, to read as follows:

"SEC. 12-E. To promote competitive conditions in financial markets, the Monetary Board may further limit the equity investments, direct or

indirect, in banks and non-bank financial intermediaries performing quasi-banking functions."

SEC. 8. Section 13 of the same Act is hereby further amended to read as follows:

"SEC. 13. At least two-thirds of the members of the board of directors of any bank or banking institution which may be established after the approval of this Act shall be citizens of the Philippines: *Provided*, That no appointive or elective public official, whether full-time or part-time, shall at the same time serve as officer of any private bank, except in cases where such service is incident to financial assistance provided by the government or a government-owned or controlled corporation to the bank: *Provided, further*, That in the case of a bank merger or consolidation duly approved by the Monetary Board, the limitation on the number of directors in a corporation, as provided for in section fourteen of the Corporation Code of the Philippines, shall not be applied so that membership in the new board may include up to the total number of directors provided for in the respective articles of incorporation of the merging or consolidating banks."

SEC. 9. Section 14-A of the same Act is hereby further amended to read as follows:

"SEC. 14-A. Foreign banking institutions without branches in the Philippines, including (a) their wholly-or majority-owned subsidiaries, and (b) their holding companies having majority holdings in such foreign banking institutions, may invest, with prior approval of the Monetary Board, in equities of local companies engaged in financial allied undertakings under the same restrictions imposed on domestic banks of the same category, as provided for in Sections twenty-one-A and thirty-one of this Act or in other banking laws. In any case, the aggregate holdings of voting stocks of all foreign entities in any single domestic financial enterprise shall remain a minority participation in that enterprise.

"With prior approval of the Central Bank, these foreign entities may also purchase equities in domestic banks: *Provided*, That their aggregate holdings of voting stocks shall remain at all times subject to the limitations prescribed in Section 12-A of this Act.

"The foregoing limitations shall not apply either to international or regional inter-governmental financial organizations and their subsidiaries of which the Philippines is a member."

SEC. 10. Section 21 of the same Act is hereby further amended to read as follows:

"SEC. 21. A commercial banking corporation, in addition to the general powers incident to corporations: shall have all such powers as shall be necessary to carry on the business of commercial banking, by accepting drafts and issuing letters of credit, by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debts; by receiving deposits; by buying and selling foreign exchange and gold or silver bullion, and by lending money against personal security or against securities consisting of personal property or mortgages on improved real estate and the insured improvements thereon.

"Commercial banks may acquire readily marketable bonds and other debt securities subject to such rules as the Monetary Board may promulgate. These rules may include, but need not be limited to, the determination of bonds and other debt securities eligible for investment, the maturities and aggregate amount of such investment."

SEC. 11. Section 21-A of the same Act is hereby further amended to read as follows:

"SEC. 21-A. Commercial banks, including Government banks and foreign banks with existing local branches, may invest in equities of the following allied undertakings: warehousing companies, leasing companies, storage companies, safe deposit box companies, companies engaged in the management of mutual funds but not in the mutual funds themselves, banks, and such other similar activities as the Monetary Board may declare as appropriate from time to time: *Provided*, That (a) the total investment in equities shall not exceed twenty-five percent (25%) of the net worth of the bank; (b) the equity investment in any one enterprise shall not exceed fifteen percent (15%) of the net worth of the bank; (c) the total equity investment of the bank in any single enterprise shall remain a minority holding in that enterprise, except as provided in Section 21-C of this Act or where the enterprise is a non-financial allied undertaking; and (d) the equity investment in other banks shall be deducted from the investing bank's net worth for purposes of computing the prescribed ratio of net worth to risk assets. Equity investments shall not be permitted in non-related activities.

"Where the allied undertaking is a wholly- or majority-owned subsidiary of the bank, the Central Bank may subject it to examination."

SEC. 12. The same Act is hereby amended by adding three new sections after Section 21-A thereof, to read as follows:

"SEC. 21-B. The provisions in this or in any other Act to the contrary notwithstanding, the Monetary Board, whenever it shall deem appropriate and necessary to further national development objectives or support national priority projects, may authorize a commercial bank, a bank authorized to provide commercial banking services, as well as a government-owned and controlled bank, to operate under an expanded commercial banking authority and by virtue thereof exercise, in addition to powers authorized for commercial banks, the powers of an Investment House as provided in Presidential Decree No. 129, invest in the equity of a non-allied undertaking, or own a majority or all of the equity in a financial intermediary other than a commercial bank or a bank authorized to provide commercial banking services: *Provided*, That (a) the total investment in equities shall not exceed fifty percent (50%) of the net worth of the bank; (b) the equity investment in any one enterprise whether allied or non-allied shall not exceed fifteen percent (15%) of the net worth of the bank; (c) the equity investment of the bank, or of its wholly- or majority-owned subsidiary, in a single non-allied undertaking shall not exceed thirty-five percent (35%) of the total equity in that enterprise nor shall it exceed thirty-five percent (35%) of the voting stock in that enterprise; and (d) the equity investment in other banks

shall be deducted from the investing bank's net worth for purposes of computing the prescribed ratio of net worth to risk assets.

"In the exercise, of the authority granted herein, the Monetary Board shall take into consideration the capability of the bank in terms of its past performance as a bank or as a financial intermediary, financial resources and technical expertise, and the investment of the bank shall be subject to such regulations as the Monetary Board may prescribe which may include but need not be limited to the categories of undertakings or projects that may be invested in by the bank directly or through its wholly-or majority-owned subsidiary or the extent of exposure in any of the activities authorized in this section.

"Where the enterprise is wholly- or majority-owned by the bank, the Central Bank may subject it to examination.

"In order to avoid undue concentration of economic power, the total equity investments of banks, quasi-banks and their subsidiaries in a single 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 enterprise except as may be otherwise approved by the President (Prime Minister).

"For the purpose of determining compliance with the limitations on equity holdings by a bank in a non-allied undertaking, the equity holdings of the bank in the undertaking, when combined with those of its directors, officers and substantial stockholders, and its wholly- or majority-owned subsidiaries shall not exceed the prescribed thirty-five percent (35%) of the equity of that undertaking. The same rule shall be observed in the case of an equity investment by a subsidiary wholly- or majority-owned by the bank, where the investors in the undertaking consist of the subsidiary, the bank which owns the majority or all of the equity of the subsidiary, the officers, directors and substantial stockholders of the bank, as well as those of the subsidiary.

"The regulations issued by the Monetary Board to implement the provisions of this section and Section 21-C of this Act shall be reported to the President (Prime Minister) and to the Batasang Pambansa within fifteen days from the date of their issuance. Such regulations shall be published in a newspaper of general circulation.

"SEC. 21-C. The provisions of this Act or of any other Act to the contrary notwithstanding, a commercial bank or any bank authorized to provide commercial banking services, or to operate under an expanded commercial banking authority, may own more than thirty percent (30%) of the voting stock of a thrift bank or a rural bank up to a majority or all of the equity thereof: *Provided*, That the acquisition of such equity or equities is subject to the prior approval of the Monetary Board which shall promulgate appropriate guidelines to govern such investments: *Provided, further*, That the equity ownership of any individual, related group or corporation in the investing bank is in accordance with the provisions of Sections 12, 12-A, 12-B and 12-D of this Act: *Provided, finally*, That the equity investment in other banks shall be deducted from the investing