

[REPUBLIC ACT NO. 7906, February 23, 1995]

**AN ACT PROVIDING FOR THE REGULATION OF THE
ORGANIZATION AND OPERATIONS OF THRIFT BANKS, AND FOR
OTHER PURPOSES**

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

CHAPTER I - DECLARATION OF POLICY AND DEFINITIONS

SECTION 1. *Title.* — This Act shall be known and cited as the "Thrift Banks Act of 1995."

SEC. 2. *Declaration of Policy.* — It is hereby declared the policy of the State to:

- a. Recognize the indispensable role of the private sector, to encourage private enterprise, and to provide incentives to needed investments;
- b. Promote economic development pursuant to the socioeconomic program of the government, to expand industrial and agricultural growth, to encourage the establishment of more private thrift banks in order to meet the needs for capital, personal and investment credit or medium- and long-term loans for Filipino entrepreneurs;
- c. Encourage and assist the establishment of thrift bank system which will promote agriculture and industry and at the same time place within easy reach of the people the medium-and long-term credit facilities at reasonable cost;
- d. Encourage industry, frugality and the accumulation of savings among the public, and the members and stockholders of thrift banks; and
- e. Regulate and supervise the activities of thrift banks in order to place their operations on a sound, stable and efficient basis and to curtail or prevent acts or practices which are prejudicial to the public interest.

SEC. 3. *Definition of Terms.* — For purposes of implementing this Act, the following definitions shall apply:

- a. "Thrift banks" shall include savings and mortgage banks, private development banks, and stock savings and loans associations organized under existing laws, and any banking corporation that may be organized for the following purposes:
 1. Accumulating the savings of depositors and investing them, together with capital loans secured by bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, bonds and other forms of security or in loans for personal or household finance, whether secured or unsecured, or in financing for homebuilding and home development; in readily marketable and debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes

arising out of commercial transactions; and in such other investments and loans which the Monetary Board may determine as necessary in the furtherance of national economic objectives;

2. Providing short-term working capital, medium- and long-term financing, to businesses engaged in agriculture, services, industry and housing; and
3. Providing diversified financial and allied services for its chosen market and constituencies specially for small and medium enterprises and individuals.

- b. "Monetary Board" shall mean the Monetary Board of the *Bangko Sentral* ng Pilipinas.
- c. "*Bangko Sentral*" shall refer to the *Bangko Sentral* ng Pilipinas created under Republic Act No. 7653.

CHAPTER II - ORGANIZATION

SEC. 4. *Organization.* — A thrift bank shall be organized in the form of stock corporation. The Monetary Board shall fix the minimum paid-up capital of thrift banks in such amount as the Board may consider necessary for the safe and sound operation of thrift banks taking into account the development thrusts of this Act and due protection of the general public. No thrift bank shall be organized without a certificate of authority from the Monetary Board.

SEC. 5. *Establishment of Thrift Banks.* — The articles of incorporation of any bank, or any amendment thereto, shall not be registered by the Securities and Exchange Commission unless accompanied by a certificate of authority issued by the Monetary Board, under its official seal. Such certificate shall not be issued unless the Monetary Board is satisfied from the evidence submitted to it: (a) that all the requirements of the existing laws and regulations to engage in business for which the applicant is proposed to be incorporated have been complied with; (b) that public interest and the economic conditions, both general and local, justify the authorization; and (c) that the amount of capital, the financing organization, direction and administration, as well as the integrity and the responsibility of the organizers and administrators reasonably assure the safety of the interest which the public may entrust to them.

The bylaws of any thrift bank, or any amendment thereto, shall not be registered by the Securities and Exchange Commission unless accompanied by a certificate of the Monetary Board to the effect that such by-laws or amendments thereto are in accordance with law.

SEC. 6. *Bank Management.* — In order to maintain the quality of bank management and afford better protection to depositors and the public in general the Monetary Board may pass upon and review the qualifications of persons who are elected or appointed bank directors and officers and disqualify those unfit. The Monetary Board shall prescribe the qualifications of bank directors and officers for purposes of this Section.

SEC. 7. *Directors and Officers.* — At least a majority of the members of the board of directors of any thrift bank which may be established after the effectivity of this Act shall be citizens of the Philippines: *Provided, however,* That no appointive or elective official whether full-time or part-time, shall at the same time serve as officer of any thrift 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 merger or consolidation duly approved by the Monetary Board, the limitation on the number of directors in a corporation, as provided in Section 14 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.

CHAPTER III - OWNERSHIP AND CAPITAL REQUIREMENTS

SEC. 8. *Ownership.* — At least forty percent (40%) of the voting stock of a thrift bank which may be established after the approval of this Act shall be owned by citizens of the Philippines, except where a new bank may be established as a result of a merger or consolidation of existing thrift banks with foreign holdings in which case, the resulting foreign holdings shall not be increased but may be reduced and, once reduced, shall not be increased thereafter beyond sixty percent (60%) of the voting stock of thrift banks. The percentage of the foreign-owned voting stocks shall be determined by the citizenship of individual stockholders and in case of corporations owning shares, by the citizenship of each stockholder in the said corporations.

Any provision of existing laws to the contrary notwithstanding, stockholdings in a thrift bank shall be exempt from any ownership ceiling for a period of ten (10) years from the effectivity of this Act.

SEC. 9. *Combined Capital Accounts of Thrift Banks.* — The combined capital accounts of each thrift bank shall not be less than an amount equal to ten percent (10%) of its risk assets which is defined as its total assets minus the following assets:

- a. Cash on hand;
- b. Amounts from the *Bangko Sentral*;
- c. Evidences of indebtedness of the Republic of the Philippines and of the *Bangko Sentral*, and any other evidences of indebtedness or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;
- d. Loans to the extent covered by hold-out on, or assignment of deposits maintained in the lending bank and held in the Philippines; and
- e. Other non-risk items as the Monetary Board may, from time to time, authorize to be deducted from total assets.

The Monetary Board shall prescribe the manner of determining the total assets of banking institutions for purposes of this Section.

Whenever the capital accounts of a bank are deficient with respect to the requirements of the preceding paragraph, the Monetary Board, after considering the report of the appropriate supervising department on the state of solvency of the institution, shall limit or prohibit the distribution of net profits and shall require that part or all of net profits be used to increase the capital accounts of the institution until the minimum requirement has been met. The Monetary Board may, after considering the aforesaid report of the appropriate supervising department and if the amount of the deficiency justifies it, restrict or prohibit the making of new

investments of any sort by the bank, with the exception of purchases of evidences of indebtedness included under subsection (c) of this Section, until the minimum required capital ratio has been restored.

Where in the process of a bank merger or consolidation, the merged or constituent bank -may not be able to comply fully with the net worth to risk asset ratio herein prescribed, the Monetary Board may, at its discretion, temporarily relieve the bank from full compliance with this requirement under such conditions it may prescribe.

CHAPTER IV - POWERS

SEC. 10. *Powers of Thrift Banks.* — In addition to powers granted it by this Act and existing laws, any thrift bank may:

- a. Accept savings and time deposits;
- b. Open current or checking accounts: *Provided*, That the thrift bank has net assets of at least Twenty million pesos (P20,000,000) subject to such guidelines as may be established by the Monetary Board; and shall be allowed to directly clear its demand deposit operations with the *Bangko Sentral* and the Philippine Clearing House Corporation;
- c. Act as correspondent for other financial institutions;
- d. Act as collection agent for government entities, including but not limited to, the Bureau of Internal Revenue, Social Security System, and the Bureau of Customs;
- e. Act as official depository of national agencies and of municipal, city or provincial funds in the municipality, city or province where the thrift bank is located, subject to such guidelines as may be established by the Monetary Board;
- f. Rediscount paper with the Philippine National Bank, the Land Bank of the Philippines, the Development Bank of the Philippines, and other government-owned or controlled corporations. Said institutions shall specify the nature of paper deemed acceptable for rediscount, as well as rediscounting rate to be charged by any of these institutions; and
- g. Issue mortgage and chattel mortgage certificates, buy and sell them for its own account or for the account of others, or accept and receive them in payment or as amortization of its loan.

Such mortgage and chattel mortgage certificates shall be issued exclusively in national currency and exclusively for the financing of equipment loans, mortgage loans for the acquisition of machinery and other fixed installations, conservation, enlargement or improvement of productive properties and real estate mortgage loans for: (1) the construction, acquisition, expansion or improvement of rural and urban properties; (2) the refinancing of similar loans and mortgages; and (3) such other purposes as may be authorized by the Monetary Board.

A thrift bank shall coordinate the amounts and maturities of its certificates with those of its loans, so as to ensure adequate cash receipts for the payment of principal and interest at the time they become due. The bank shall accept its own certificates at least at the actual price of issue, in any prepayment of loans which mortgage or chattel mortgage debtors may wish to make: *Provided*, That the date of maturity of the certificates is not later than the date

on which the payment would otherwise become due, in the absence of the aforesaid prepayment;

- h. Purchase, hold and convey real estate under the same conditions as those governing commercial banks as specified under Section 25 of Republic Act No. 337;
- i. Engage in quasi-banking and money market operations;
- j. Open domestic letters of credit;
- k. Extend credit facilities to private and government employees: *Provided*, That in the case of a borrower who is a permanent employee or wage earner, the treasurer, cashier or paymaster of the office employing him is authorized, notwithstanding the provisions of any existing law, rules and regulations to the contrary, to make deductions from his salary, wage or income pursuant to the terms of his loan, to remit deductions to the thrift bank concerned, and collect such reasonable fee for his services;
- l. Extend credit against the security of jewelry, precious stones and articles of similar nature, subject to such rules and regulations as the Monetary Board may prescribe; and
- m. Offer other banking services as provided in Section 72 of Republic Act No. 337 and Republic Act No. 6426, as amended.

Thrift banks may perform the services under subsections (b) , (d) , (e) , (g) and (i) only upon prior approval of the Monetary Board.

Nothing in this Section shall be construed as precluding a thrift bank from performing, with prior approval of the Monetary Board, commercial banking services, or from operating under an expanded banking authority, nor from exercising, whenever applicable and not inconsistent with the provisions of this Act and *Bangko Sentral* regulations, and such other powers incident to a corporation.

SEC. 11. *Limitations on Lending Authority.* — Except as the Monetary Board may otherwise prescribe, the direct indebtedness to thrift banks of any person, company, corporation, or firm, including the indebtedness of members of a partnership and association, for money borrowed, excluding: (a) loans secured by obligations of the *Bangko Sentral*; (b) loans fully guaranteed by the government as to the payment of principal and interest; (c) loans to the extent covered by the hold-out on, or assignment of, deposits maintained in the lending bank and held in the Philippines; and (d) other loans or credits as the Monetary Board may, from time to time, specify as non-risk assets, which shall in no time exceed fifteen percent (15%) of unimpaired capital and surplus of the bank.

Notwithstanding the provisions of the preceding paragraph and subject to such regulations as the Monetary Board may prescribe, the total indebtedness of any borrower to the bank may amount to a further fifteen percent (15%) of the unimpaired capital and surplus of such bank provided the additional indebtedness is for the purpose of financing subdivision or housing development, medium- and low-income borrowers and agriculture on a fully secured basis.

The term 'indebtedness' as used herein, shall mean the direct liability of the maker or acceptor of paper discounted with or sold to such bank and liability of the indorser, drawer or guarantor who obtains a loan from or discounts paper with or sells paper under his guaranty to such bank; and shall include in the case of