

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS

First Regular Session

HOUSE BILL NO. 3026



INTRODUCED BY REPRESENTATIVE JURDIN JESUS M. ROMUALDO

EXPLANATORY NOTE

Republic Act No. 1405, otherwise known as the Secrecy of Bank Deposits Law, was enacted in 1955 to encourage trust in the banking system by guaranteeing the absolute confidentiality of bank deposits. At the time, this was necessary to combat private hoarding and stimulate economic recovery in the post-war period. However, nearly seven decades later, the law's rigid restrictions have become outdated and increasingly counterproductive in the context of modern financial regulation and global standards of transparency.

While the law once served to attract depositors and protect privacy, the Philippine financial landscape has since evolved significantly. Financial innovation, digital transactions, and the increasing complexity of economic crimes demand stronger and more adaptive regulatory tools. Unfortunately, the current framework makes it difficult for regulators and enforcement agencies to effectively investigate and prosecute cases of money laundering, tax evasion, and other financial crimes. It also limits the capacity of the Bangko Sentral ng Pilipinas (BSP) to perform risk-based supervision and oversight, as repeatedly pointed out by the International Monetary Fund (IMF) and other international bodies.

This proposed measure seeks to amend RA 1405 to strike a more appropriate balance between legitimate expectations of financial privacy and the compelling public interest in regulatory transparency, financial integrity, and institutional accountability. By allowing the BSP and other competent authorities access to depositor information under clearly defined circumstances and with adequate safeguards, the bill promotes sound banking practices, reduces systemic risks, and supports the development of a stable, secure, and resilient financial system.

The proposed amendments are not merely corrective; they are proactive. They aim to strengthen the operational and supervisory mechanisms of banks, bolster the government's ability to protect the financial system from abuse, and ensure the country's financial infrastructure is equipped to meet both domestic and global challenges in the 21st century.

In view of the foregoing, the immediate passage of this measure is earnestly sought.

JURDIN JESUS M. ROMUALDO

A large, stylized handwritten signature in black ink, appearing to be "JURDIN JESUS M. ROMUALDO", written over the printed name.

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AN ACT
PROMOTING TRANSPARENCY AND STRENGTHENING BANK MECHANISMS IN
THE OPERATION OF BANKS, AMENDING FOR THE PURPOSE REPUBLIC ACT NO.
1405, OTHERWISE KNOWN AS “THE SECRECY OF BANK DEPOSITS LAW”

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

SECTION 1. Section 2 of Republic Act No. 1405, otherwise known as “the Secrecy of Bank Deposits Law” is hereby amended to read, as follows:

SECTION 2. All deposits ~~of whatever nature, with banks or banking institutions in the Philippines including investment in bonds issued by the Government of the Philippines, its political subdivisions and its instrumentalities,~~ are hereby considered as ~~an absolutely~~ confidential **IN** nature and may not be examined, inquired or looked into by any person, government official, bureau or office, except upon written permission of the depositor, or in cases of impeachment, or upon order of a competent court in cases of bribery or dereliction of duty of public officials, or in cases where the money ~~deposited or invested~~ is the subject matter of the litigation[.], **OR IN CASES WHERE THE INQUIRY OR EXAMINATION IS MADE BY THE BANGKO SENTRAL NG PILIPINAS (BSP), IN THE EXERCISE OF ITS SUPERVISORY, REGULATORY AND OVERSIGHT POWERS, ON THE DEPOSIT OF A PRIVATE INDIVIDUAL, OR OFFICER OF A JURIDICAL ENTITY, INVESTOR, OR EMPLOYEE THEREOF, THERE IS A REASONABLE GROUND TO BELIEVE THAT FRAUD, SERIOUS IRREGULARITY, OR UNLAWFUL ACTIVITY HAS BEEN OR IS BEING COMMITTED BY THESE PERSONS, AND THAT IT IS NECESSARY TO LOOK INTO**

1 THE DEPOSIT TO ESTABLISH SUCH FRAUD, IRREGULARITY OR UNLAWFUL
2 ACTIVITY.

3 THE BSP SHALL ALSO INCLUDE AN INVESTIGATION OF LIKE MANNER IN
4 CLOSED BANKS. THE RESULTS OF THE INQUIRY SHALL NOT BE MADE PUBLIC
5 BUT CAN ONLY BE DIVULGED TO THE SECURITIES AND EXCHANGE
6 COMMISSION (SEC), PHILIPPINES DEPOSIT AND INSURANCE CORPORATION
7 (PDIC), ANTI-MONEY LAUNDERING COUNCIL (AMLC), DEPARTMENT OF
8 JUSTICE (DOJ), AND THE COURTS WITH THE SOLE PURPOSE OF FILING OF
9 APPROPRIATE CASES AGAINST THESE PERSONS AND ALSO, TO ADDRESS GAPS
10 AND IMPLEMENT CORRECTIVE MEASURES TO STRENGTHEN THEIR EXISTING
11 POLICIES.

12 THE EXEMPTIONS UNDER THIS SECTION SHALL APPLY TO FOREIGN
13 CURRENCY DEPOSITS IN BANKS OPERATING IN THE PHILIPPINES INCLUDING
14 OFFSHORE BRANCHES OF DOMESTIC BANKS; PROVIDED, THAT THIS
15 EXEMPTION SHALL NOT APPLY TO NON-STOCK SAVINGS AND LOAN
16 ASSOCIATIONS THAT ARE CATERING ONLY TO THEIR MEMBERS.

17
18 PROVIDED, FURTHER, THAT THE MONETARY BOARD SHALL SUBMIT TO THE
19 OFFICE OF THE PRESIDENT, THE PRESIDENT OF THE SENATE AND THE
20 SPEAKER OF THE HOUSE OF REPRESENTATIVES A CONFIDENTIAL REPORT ON
21 THEIR INVESTIGATIONS ON A YEARLY BASIS TO DETERMINE IF NECESSARY
22 POLICIES HAVE TO BE IMPLEMENTED TO PROTECT THE BANKING INDUSTRY
23 AND THE GENERAL PUBLIC FROM UNLAWFUL SCHEMES FROM CERTAIN
24 PERSONS.

25
26 SEC. 2. Section 3 of the same Act, is hereby amended to read as follows:

1 SECTION 3. NO BANK OR FINANCIAL INSTITUTION, OR ANY OF ITS
2 DIRECTORS, OFFICERS OR EMPLOYEES, SHALL BE SUBJECT TO ANY ACTION,
3 CLAIM OR DEMAND IN CONNECTION WITH, AND SHALL BE HELD FREE AND
4 HARMLESS FROM LIABILITY FOR, ANY ACT DONE IN COMPLIANCE WITH AN
5 ORDER FOR INQUIRY OR EXAMINATION OF DEPOSITS FROM THE BSP.

6 HOWEVER, [I]it shall be unlawful for any official, employee, of a banking institution
7 OR THE BSP, to disclose to any person other than those mentioned AND UNDER SUCH
8 CONDITIONS PROVIDED in Section 2 hereof, information concerning said deposits. IT
9 SHALL ALSO BE UNLAWFUL FOR ANY PERSON TO USE THIS FOR POLITICAL
10 PERSECUTION OR HARASSMENT OR AN INSTRUMENT TO IMPEDE BUSINESS
11 COMPETITION.

12
13 SEC. 3. Section 5 of the same Act, is hereby amended to read as follows:

14 SECTION 5. **THE OFFENDER FOR [A]any violation of this law will BE PUNISHED**
15 **WITH** ~~subject to~~ imprisonment of not less than ~~two (2)~~ **FOUR (4)** years nor more than **TEN**
16 **(10) YEARS** or a fine of not **LESS THAN ONE HUNDRED THOUSAND PESOS (PHP**
17 **100,000.00) NOR MORE THAN FIVE MILLION PESOS (PHP 5,000,000.00),** or both, **AT**
18 the discretion of the court.

19
20 SEC. 4. Separability Clause. If any provision or section of this Act is held to be unconstitutional
21 or invalid, the other provisions or sections hereof, which are not affected thereby shall continue to
22 be in full force and effect.

23
24 SEC. 5. Repealing Clause. –The following laws are also amended accordingly consistent with this
25 Act:

1 1.) Sections 2,4 and 5 of Republic Act No. 1405 are amended (The Secrecy of Bank
2 Deposits Act);

3 2.) Sections 8 and 12-A of Republic Act No. 6426, as amended (Foreign Currency Deposit
4 Act of the Philippines);

5 3.) Section 33 of Republic Act No. 7353 (The Rural Banks Act of 1992);

6 4.) Sections 26(1)(2) of Republic Act No. 7906 (The Thrift Banks Act of 1995)

7 All other Acts or parts of Acts, Special Charters, Executive Order, Rules and Regulations,
8 which are inconsistent with the provisions of this Act, are hereby repealed.

9 SEC. 6 Effectivity. This Act shall take effect fifteen (15) days following its publication in the
10 Official Gazette or in a newspaper of general circulation in the Philippines.

11 Approved,