

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 3196



Introduced by REP. EMILIO BERNARDINO L. YULO

EXPLANATORY NOTE

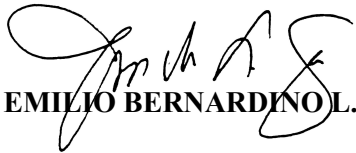
Transparency and accountability are the cornerstones of good governance, particularly in the financial sector where public trust is paramount. In recent years, high-profile cases of bank fraud, corporate scandals, and illicit financial activity have underscored the urgent need to strengthen anti-corruption mechanisms within the country's banking and financial institutions. While Republic Act No. 1405, or the "Bank Secrecy Law," was originally enacted to protect depositor privacy and encourage savings, its overly rigid provisions have also been exploited to shield unlawful activities from legitimate regulatory scrutiny.

This bill seeks to amend Republic Act No. 1405 to strike a balance between protecting legitimate financial privacy and ensuring that regulatory bodies such as the Bangko Sentral ng Pilipinas (BSP) can effectively exercise their supervisory powers. The measure expands the allowable instances in which deposits can be examined, particularly in cases where fraud, serious irregularity, or unlawful activity is suspected involving owners, officers, or related parties of BSP-supervised entities. It also allows the BSP to examine deposits in closed banks during investigations and to share findings with specific government agencies, such as the Anti-Money Laundering Council (AMLC), Securities and Exchange Commission (SEC), and the Department of Justice (DOJ), for the purpose of crime prevention or prosecution.

Furthermore, the bill provides legal protection to financial institutions and their personnel for disclosures made in compliance with authorized investigations, while maintaining safeguards to prevent abuse and unauthorized disclosures. It also raises the penalties for violations of the Act, in recognition of the gravity of financial misconduct in today's interconnected economy.

By updating the Bank Secrecy Law to align with international best practices, this bill aims to enhance the integrity of the Philippine financial system, strengthen the country's anti-money laundering and anti-corruption frameworks, and promote a more transparent, accountable, and resilient financial sector.

In view of the foregoing, approval of this bill is earnestly sought.


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**AN ACT PROMOTING TRANSPARENT GOVERNANCE AND INSTITUTING
ANTI-CORRUPTION MECHANISMS IN THE OPERATION OF BANKS AND
OTHER FINANCIAL INSTITUTIONS, AMENDING FOR THE PURPOSE
REPUBLIC ACT NO. 1405, ENTITLED “AN ACT PROHIBITING
DISCLOSURE OF OR INQUIRY INTO, DEPOSITS WITH ANY BANKING
INSTITUTION AND PROVIDING PENALTY THEREFOR”**

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

SECTION 1. Section 2 of Republic Act No. 1405, entitled: “*An Act
Prohibiting Disclosure of or Inquiry Into, Deposits With Any Banking Institution
And Providing Penalty Therefor*” is hereby amended to read, as follows:

“SECTION 2. All deposits are hereby considered as of an absolutely confidential 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 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 POWERS, ON THE DEPOSIT OF THE STOCKHOLDER, OWNER, DIRECTOR, TRUSTEE, OFFICER OR EMPLOYEE OF AN ENTITY THAT IS SUBJECT TO THE SUPERVISION OR REGULATORY POWER OF THE *BSP*, THE REPRESENTATIVE OR AGENT, THE RELATED PARTY, OR ANY OF THE CONSPIRATORS, OF THE PERSON INVOLVED: PROVIDED, THAT, UPON DETERMINATION BY THE MONETARY BOARD, THERE IS A REASONABLE GROUND TO BELIEVE THAT FRAUD, SERIOUS IRREGULARITY OR UNLAWFUL ACTIVITY HAS BEEN OR IS BEING COMMITTED BY THE ABOVEMENTIONED PERSONS, AND THAT IT IS NECESSARY TO LOOK INTO THE DEPOSIT TO ESTABLISH SUCH FRAUD, SERIOUS IRREGULARITY**

OR UNLAWFUL

ACTIVITY. THE AUTHORITY OF THE *BSP* TO INQUIRE AND EXAMINE DEPOSITS SHALL ALSO APPLY IN THE COURSE OF ITS INVESTIGATION OF CLOSED BANKS.

AS USED IN THIS ACT, *DEPOSITS* SHALL REFER TO MONEY OR ITS EQUIVALENT RECEIVED BY A BANK IN THE USUAL COURSE OF BUSINESS, AND FOR WHICH IT HAS GIVEN OR IS OBLIGED TO GIVE CREDIT TO A COMMERCIAL, CHECKING, SAVINGS, TIME OR THRIFT ACCOUNT, EVIDENCED BY A PASSBOOK, CERTIFICATE OF DEPOSIT, OR OTHER EVIDENCE OF DEPOSIT, ISSUED IN ACCORDANCE WITH *BSP* RULES AND REGULATIONS AND OTHER APPLICABLE LAWS, AS WELL AS SUCH OTHER OBLIGATION OF A BANK THAT FORMS PART OF ITS DEPOSIT LIABILITIES PURSUANT TO *BSP* RULES AND REGULATIONS.

THE RESULTS OF THE INQUIRY OR EXAMINATION CONDUCTED BY THE *BSP* SHALL BE FOR ITS EXCLUSIVE USE AND SHALL NOT BE MADE AVAILABLE TO ANY PERSON OR ENTITY, WHETHER PUBLIC OR PRIVATE, EXCEPT TO THE SECURITIES AND EXCHANGE COMMISSION, PHILIPPINE DEPOSIT INSURANCE CORPORATION, ANTI-MONEY LAUNDERING COUNCIL, DEPARTMENT OF JUSTICE, AND THE COURTS: *PROVIDED*, THAT THE SHARING OF THE RESULTS OF THE ABOVEMENTIONED INQUIRY OR EXAMINATION IS NECESSARY TO PREVENT OR PROSECUTE ANY OFFENSE OR CRIME.

THE EXEMPTIONS UNDER THIS SECTION SHALL APPLY TO FOREIGN CURRENCY DEPOSITS IN BANKS OPERATING IN THE PHILIPPINES INCLUDING OFF-SHORE BRANCHES OF DOMESTIC BANKS: *PROVIDED*, THAT THESE EXEMPTIONS SHALL NOT APPLY TO NON-STOCK SAVINGS & LOAN ASSOCIATIONS (NSSLAS) THAT ARE CATERING ONLY TO THEIR MEMBERS.”

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

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

HOWEVER, it shall be unlawful for any official OR employee, of a banking

institution **OR THE BSP**, to disclose **ANY INFORMATION CONCERNING SAID DEPOSITS** to any person **AND UNDER SUCH CONDITIONS** other than those mentioned in Section ~~two~~ **2** hereof. **IT SHALL ALSO BE UNLAWFUL FOR ANY PERSON TO USE THIS ACT FOR PERSECUTION OR HARASSMENT OR AS AN INSTRUMENT TO HAMPER COMPETITION IN TRADE AND COMMERCE.**”

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

“SECTION 5. Any violation of this law will subject **THE** offender upon conviction, to imprisonment of not **LESS THAN TWO (2) YEARS NOR** more than ~~five~~ **TEN (10) YEARS** or a fine of not **LESS THAN FIFTY THOUSAND PESOS (P50,000) NOR MORE THAN** ~~twenty thousand~~ **TWO MILLION PESOS (P2,000,000)**, or both, ~~in~~ **AT** the discretion of the court.”

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

SEC. 5. *Repealing Clause.* –

- (a) Sections 2, 3 and 5 of Republic Act No. 1405 are hereby amended;
- (b) Sections 8 and 12-A of Republic Act No. 6426, as amended, also known as the “Foreign Currency Deposit Act of the Philippines,” with respect to foreign currency deposits, are hereby amended;
- (c) Section 33 of Republic Act No. 6848, also known as “The Charter of the Al-Amanah Islamic Investment Bank of the Philippines”, is hereby amended;
- (d) Section 26(a)(2) of Republic Act No. 7353, also known as the “Rural Act of 1992” is hereby amended; and
- (e) Section 21(a)(2) of Republic Act No. 7906, also known as the “Thrift Banks Act of 1995” is hereby amended.

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

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

Approved,