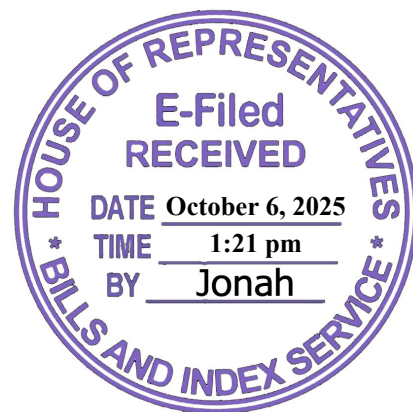




Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Twentieth Congress
First Regular Session

HOUSE BILL NO. 5152



Introduced by Representative Yedda Marie K. Romualdez

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”

EXPLANATORY NOTE

Republic Act No. 1405, also known as the *Law on Secrecy of Bank Deposits*, was enacted in 1955 to encourage the public to invest their money in banks, discourage private hoarding, and enhance protection of privacy rights. The law was enacted to address the country’s need for enough capital and credit facilities to boost the economy after the war. Decades later, the financial sector landscape has evolved, such that the objectives to boost the economy have already been achieved¹. Now, its absolute secrecy provisions have created barriers to the effective investigation and prosecution of corrupt or illegal financial acts. These provisions have been exploited to conceal unlawful activities such as money laundering and tax evasion, impeding the fight against financial crimes and weakening institutional oversight.

¹ Bangko Sentral ng Pilipinas. *The Laws on Secrecy of Bank Deposits - A Legal Primer*. (2024)

Thus, this bill seeks to empower the *Bangko Sentral ng Pilipinas* (BSP) under its regulatory authority to inquire into or examine bank deposits in the Philippines, including foreign currency deposits, in specific circumstances. These include investigations of closed banks, or instances as determined or upon the determination by the Monetary Board, that there is reasonable ground to believe that fraud, serious irregularity, or unlawful activity has been committed by a stockholder, owner, director, trustee, officer, or employee of entities under BSP supervision, or by their representatives, agents, related parties, or conspirators. To protect good-faith compliance with regulatory processes, this bill includes a safe harbor provision exempting banks and financial institutions, as well as their directors, officers, and employees, from any action, claim, or liability arising from their compliance with lawful BSP orders of inquiry or examination.

Through this bill, the State will be able to reinforce its commitment to fight corruption and uphold public trust in financial institutions and regulatory agencies.

We recognize Rep. Irwin Tieng of the Fifth District of Manila for proposing this bill in the Nineteenth Congress through House Bill No. 7446, which sought to promote transparent governance and strengthen anti-corruption mechanisms by allowing the BSP to examine bank deposits under specific conditions.

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



YEDDA MARIE K. ROMUALDEZ



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*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, 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 hereby 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,