

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 5647



Introduced by: Kababaihan Kabalikatan para sa Kapakanan at Kaunlaran ng Bayan (4K) Party-list
Representative Iris Marie D. Montes

AN ACT
EXEMPTING GOVERNMENT OFFICIALS AND EMPLOYEES FROM THE
PROHIBITION AGAINST DISCLOSURE OF OR INQUIRY INTO DEPOSITS WITH
ANY BANKING INSTITUTION, AMENDING FOR THE PURPOSE CERTAIN
PROVISIONS OF REPUBLIC ACT NO. 1405, OTHERWISE KNOWN AS THE
"SECRECY OF BANK DEPOSITS LAW"

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 government securities and deposit them in bank, discourage private hoarding, and enhance protection of privacy rights.

R.A. 1405 was eventually amended by Presidential Decree No. 1792, which expanded the exceptions to the absolute confidentiality rule, including instances when the examination is made in the course of a special or general examination of a bank and is specifically authorized by the Monetary Board after being satisfied that there is reasonable ground to believe that a bank fraud or serious irregularity has been or is being committed, and that it is necessary to look into the deposit to establish such fraud or irregularity.

R.A. No. 7653, otherwise known as "The New Central Bank Act," repealed PD No. 1792 by effectively reinstating the version of R.A. No. 1405 prior to PD No. 1792.

According to the Bangko Sentral ng Pilipinas, "More than half a century after the enactment of the law, the financial sector landscape has evolved, such that the financial innovations and ease of transactions enabled, necessitated, and encouraged the public to place their money in the banks, and spurred the economy. The factual milieu then prevailing is no longer existing, and the objectives of the law to deter private hoarding and to boost the economy are deemed achieved."¹

Today, some depositors are hiding behind the cloak of R.A. No. 1405 to perpetuate their ingenious ways of defrauding counterparties, regulators or the government.

¹ Primer on Bank Secrecy, Bangko Sentral ng Pilipinas

The Bank Secrecy Law, originally intended to boost the economy, has now made the country's banking sector susceptible to exploitative entities who hide under the cover of bank secrecy for their financial crimes. Instead of economic growth, bank secrecy has been used to plunge the country into crime and corruption.

In 2009, the G20 Leaders declared that "the era of banking secrecy is over" and thereafter endorsed the standards on transparency and exchange of information as the new global standard of obtaining detailed account information from financial institutions, and exchanging that information automatically with other jurisdictions for the purpose of combatting tax evasion, money laundering, and commission of other crimes.

Although, the Bank Secrecy Law does admit certain exceptions, such as in cases of impeachment, or by virtue of a court order in cases of bribery or dereliction of duty of public officials, it is high time to exclude all government officials and employees from bank secrecy, especially on the heels of the flood control projects controversy in the country.

Through this timely amendment, it is hoped that accountability and transparency will be promoted and law enforcement authorities will be empowered to go after corrupt individuals in government.

In view thereof, approval of this bill is earnestly sought.


IRIS MARIE D. MONTES
Kababaihan Kabalikatan para sa Kapakanan
at Kaunlaran ng Bayan (4K) Party-list

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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, 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 investments in bonds issued by the Government of the Philippines, its political subdivisions and its instrumentalities, 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 the 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 WHEN THE DEPOSITOR HOLDS ANY PUBLIC OFFICE IN THE GOVERNMENT OF THE PHILIPPINES BY VIRTUE OF AN APPOINTMENT, ELECTION OR CONTRACT, IN ANY STATE-OWNED OR CONTROLLED CORPORATION OR ENTERPRISE, PERMANENT OR TEMPORARY, WHETHER IN THE CAREER OR NON-CAREER SERVICE, INCLUDING THOSE IN THE MILITARY SERVICE, WHETHER CIVILIAN OR UNIFORMED PERSONNEL, AND THOSE IN THE POLICE FORCE, WHETHER OR NOT THEY RECEIVE COMPENSATION, REGARDLESS OF AMOUNT: PROVIDED, THAT THE EXEMPTIONS ABOVE-MENTIONED SHALL INCLUDE FOREIGN CURRENCY DEPOSITS IN PHILIPPINE BANKS OPERATING IN THE PHILIPPINES, FOREIGN AND OFF-SHORE BANKS OPERATING IN THE PHILIPPINES, AND SUCH OTHER KIND OF DEPOSIT SUBSTITUTES."

SEC. 2. *Separability Clause.* - if any part or provision of this Act herein be declared unconstitutional or invalid, the other provisions which are not affected shall continue to be in full force and effect.

SEC. 3. *Repealing Clause.* - All laws, executive orders, decrees, rules, and regulations or any parts thereof inconsistent with the provisions of this Act are deemed repealed, amended, or modified accordingly.

SEC. 4. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in any two (2) newspapers of general circulation in the Philippines.

Approved,