

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

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 7859



Introduced by **Representative ERIC G. YAP**

EXPLANATORY NOTE

This bill seeks to modernize and strengthen the legal framework governing deposit confidentiality by amending Republic Act No. 1405, otherwise known as the "*Secrecy of Bank Deposits Law*". This equips the Bangko Sentral ng Pilipinas (BSP) with enhanced supervisory powers to combat fraud and corruption, while still preserving necessary safeguards for depositor privacy, and the integrity of the banking system.

This proposed measure allows the BSP to inquire into or examine the deposits of key persons of supervised entities believed to be involved in fraud or unlawful activities, including in the context of investigations of closed banks. It also amends liability protections so that banks and its personnel are immune from actions for complying with BSP orders, while making it explicitly unlawful for any person or bank official to disclose information outside prescribed conditions, or to misuse the law to stifle competition.

By recalibrating the balance between depositor confidentiality and regulatory oversight, this bill aims to align Philippine laws with international best practices, reduce opportunities for illicit transactions, and restore public trust in the governance of banks and other financial institutions.

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


HON. ERIC G. YAP

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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 House of Representatives of the Philippines in Congress assembled:

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

“SEC. 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 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 CASE 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 AND 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:

"SEC. 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, [I]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 [any information concerning said deposits]. 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:

"SEC. 5. Any violation of this law will subject THE offender upon conviction, to an 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 (P50,000.00) NOR more than [twenty thousand] TWO MILLION pesos (P2,000,000.00), or both, [in] AT the discretion of the court.

SEC. 4. *Separability Clause.* – If any portion or provision of this Act is declared invalid or unconstitutional, other provisions hereof shall remain in full force and effect.

SEC. 5. *Repealing Clause.* –

- a) Sections 2, 3 and 5 of RA No. 1405 are hereby amended;
- b) Sections 8 and 12-A of RA 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 RA 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 RA No. 7353, also known as the *"Rural Act of 1992"* is hereby amended; and
- e) Section 21(a)(2) of RA 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 days (15) after its publication in the Official Gazette or in a national newspaper of general circulation.

Approved,