

THIRTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

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SENATE

S. No. 1419

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Introduced by Senator S. R. Osmeña III

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### EXPLANATORY NOTE


Thrift banks cater to the majority of the population availing the formal banking system. Large banks often ignore the clientele of thrift banks which is composed mainly of small and medium scale businessmen, consumer, retail and small enterprise groups, due to the low margins that can be gained from such transactions not to mention the administrative cost that will be even more than the potential gain.

Thrift banks play a vital role for small enterprises which has more potential for employment generation and economic growth and therefore, help provide a self-sufficient industrial foundation for the country.

As of 2003, there are 92 thrift banks with about 1,200 banking offices distributed nationwide, serving mainly the needs of the majority of the populace, mainly the small and medium enterprises, the consumers and small savers and countryside entrepreneurs.

This bill seeks to amend Republic Act 7906, the governing law on thrift banks. It aims to encourage more investments in thrift banks, thereby allowing them to become more effective in their financial operations.

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

  
SERGIO OSMEÑA III  
Senator

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S E N A T E

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**AN ACT**  
**LIBERALIZING THE OPERATIONS OF THRIFT BANKS AMENDING FOR THE**  
**PURPOSE THE THRIFT BANKS ACT of 1995 AND FOR OTHER PURPOSES**

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

1           **Section 1.** Section 8 of Republic Act No. 7906 otherwise known as the  
2 Thrift Banks Act of 1995 is hereby amended to read as follows:

3                   "SECTION 8. Ownership. — At least forty percent (40%) of  
4 the voting stock of a thrift bank which may be established after the  
5 approval of this Act shall be owned by citizens of the Philippines,  
6 except where a new bank may be established as a result of a  
7 merger or consolidation of existing thrift banks with foreign holdings  
8 in which case, the resulting foreign holdings shall not be increased  
9 but may be reduced and, once reduced, shall not be increased  
10 thereafter beyond sixty percent (60%) of the voting stock of thrift  
11 banks. The percentage of the foreign-owned voting stocks shall be  
12 determined by the citizenship of individual stockholders and in case  
13 of corporations owning shares, by the citizenship of each  
14 stockholder in the said corporations.

15           Any provision of existing laws to the contrary  
16 notwithstanding, [stockholdings] EQUITY in a thrift bank shall be

1 exempt from any ownership ceiling [ for a period of ten (10) years  
2 from ] upon the effectivity of this Act.

3 IN ORDER TO ENCOURAGE FOREIGN INVESTMENTS IN  
4 COUNTRYSIDE DEVELOPMENT, FOREIGN MAJORITY  
5 OWNERSHIP IN THRIFT BANKS IS HEREBY ALLOWED.”

6 **SEC. 2.** Section 10 of the same Act is hereby amended to read as follows:

7 “SECTION 10. Powers of Thrift Banks. — In addition to  
8 powers granted it by this Act and existing laws, any thrift bank may:

9 x x x

10 (b) Open current or checking accounts: Provided, That  
11 the thrift bank has net assets of at least Twenty million pesos  
12 (P20,000,000) subject to such guidelines as may be established by  
13 the Monetary Board; and shall be [allowed] ENTITLED to directly  
14 clear its demand deposit operations with the Bangko Sentral and  
15 the Philippine Clearing House Corporation;

16 x x x

17 (m) Offer other banking services as provided in Section  
18 72 of Republic Act No. 337 and Republic Act No. 6426, as  
19 amended.

20 Thrift banks may perform the services under subsections (b),  
21 (d), (e), (g) and (i) only upon prior approval of the Monetary Board.

22 Nothing in this Section shall be construed as precluding a  
23 thrift bank from performing, with prior approval of the Monetary  
24 Board, commercial banking services, or from operating under an  
25 expanded banking authority, nor from exercising, whenever  
26 applicable and not inconsistent with the provisions of this Act and  
27 Bangko Sentral regulations, and such other powers incident to a  
28 corporation, AS PROVIDED IN REPUBLIC ACT 8791,  
29 OTHERWISE KNOWN AS THE GENERAL BANKING LAW OF

1 2000, EXCEPT THE SERVICES ENUMERATED UNDER  
2 SUBSECTIONS (a), (c), (f), (h), (j), (k), AND (m), WHICH A THRIFT  
3 BANK CAN PERFORM WITHOUT PRIOR APPROVAL FROM THE  
4 MONETARY BOARD.

5 NEW EQUITY INVESTMENTS IN NON-ALLIED  
6 ACTIVITIES MAY BE ALLOWED IN ORDER TO OPERATE A  
7 FORECLOSED ASSET OR REHABILITATE A BUSINESS  
8 ACTIVITY..”

9 **SEC. 3.** Section 12 of the same Act are hereby amended to read as  
10 follows:

11 “SECTION 12. Investment in Allied Undertakings. —  
12 Subject to such guidelines as may be established by the Monetary  
13 Board, thrift banks may invest in equities of allied undertakings as  
14 hereinafter enumerated: Provided, That: (a) the total investments in  
15 equities shall not exceed twenty-five percent (25%) of the net worth  
16 of the thrift bank; (b) the equity investment in any single enterprise  
17 shall be limited to fifteen percent (15%) of the net worth of the thrift  
18 bank; [ (c) the equity investment in any single enterprise shall  
19 remain a minority holding in that enterprise;] and [(d)] (c) the equity  
20 investment in other banks shall be subject to the same provisions  
21 governing similar investments of commercial banks and shall be  
22 deducted from the investing bank's net worth for the purpose of  
23 computing of the prescribed ratio as provided in Section 9 hereof:  
24 Provided, further, That equity investments shall not be permitted in  
25 non-related activities. Where the allied activity is a wholly- or  
26 majority-owned subsidiary of the thrift bank, the Bangko Sentral  
27 may subject it to examination.

28 WITH SPECIFIC AUTHORITY FROM THE MONETARY  
29 BOARD, A THRIFT BANK MAY BE ALLOWED TO OWN UP YO

1 ONE HUNDRED PERCENT (100%) OF THE EQUITY IN AN  
2 ALLIED ENTERPRISE.

3 WITH RESPECT TO INVESTMENTS IN SUBSIDIARIES  
4 EXISTING AT THE EFFECTIVITY OF THIS ACT, THRIFT BANKS  
5 SHALL BE ALLOWED TO MAINTAIN THESE INVESTMENTS.

6 Investment in allied undertaking shall include institutions  
7 engaged in the following activities:

- 8 (a) Banking and financing;
- 9 (b) Warehousing and other post-harvesting activities;
- 10 (c) Fertilizer and agricultural chemical and pesticides  
11 distribution;
- 12 (d) Farm equipment distribution;
- 13 (e) Trucking and transportation of agricultural products;
- 14 (f) Marketing of agricultural products;
- 15 (g) Leasing; and
- 16 (h) Other undertakings as may be determined by the Monetary  
17 Board.”

18 **SEC. 4.** Section 17 of the same Act is hereby amended to read as follows:

19 ~~---~~ SECTION 17. Tax Exemptions. — All thrift banks, whether  
20 created or organized under this Act or in operation as of the date of  
21 effectivity of this Act, shall be exempt from the payment of all taxes,  
22 TARIFFS, DUTIES, fees and charges of whatever nature and description,  
23 except the corporate income taxes and local taxes, fees and charges for a  
24 period of five (5) years, counted from the date of commencement of  
25 operations for thrift banks created under this Act and from the date of the  
26 effectivity of this Act for existing thrift banks.”

27 **SEC. 5.** Section 18 of the same Act is hereby amended to read as follows:

28 “SECTION 18. Exemption from Publication  
29 Requirement. — The foreclosure of mortgage covering loans

1 granted by thrift banks and executions of judgments thereon  
2 involving real properties and levied upon by a sheriff shall be  
3 exempt from publication requirements where the total amount of the  
4 loan, excluding interest due and unpaid, does not exceed [One  
5 hundred thousand pesos (P100,000)] ONE MILLION PESOS  
6 (P1,000,000.00) or such amount as the Monetary Board may  
7 prescribe, as may be warranted by the prevailing economic  
8 conditions and by the nature of service of customers served by  
9 each category of the thrift bank. It shall be sufficient publication in  
10 such cases if the notice of foreclosure and execution of judgment  
11 are posted in the conspicuous area of a thrift bank's premises,  
12 municipal building, the municipal public market, the barangay hall,  
13 and the barangay public market, if there be any, where the land  
14 mortgaged is situated within a period of sixty (60) days immediately  
15 preceding the public auction of the execution of judgment. Proof of  
16 publication as required herein shall be accomplished by an affidavit  
17 of the sheriff or officer conducting the foreclosure sale or execution  
18 of judgment and shall be attached with the records of the case.

19 A thrift bank shall be allowed to foreclose lands mortgaged  
20 to it; Provided, That said lands shall be covered under Republic Act  
21 No. 6657.

22 **SEC. 6.** CHAPTER VII is hereby amended by adding new provisions after  
23 Sec. 20 to be known as Sec. 20-A, 20-B and 20-C to read as follows:

24 ~~SEC. 20-A.~~ ALLOWABLE DEDUCTION FOR INTEREST  
25 EXPENSES. – THERE WILL BE NO LIMIT TO THE ALLOWABLE  
26 DEDUCTION FOR INTEREST EXPENSE THAT MAY BE  
27 CLAIMED BY THRIT BANKS.

28 SEC. 20-B. EXEMPTION OF FORECLOSED  
29 AGRICULTURAL ASSETS FROM CAP COVERAGE. –

1 AGRICULTURAL ASSETS ACQUIRED BY BANKS THROUGH  
2 FORECLOSURE SHALL BE EXEMPTED FROM THE COVERAGE  
3 OF THE AGRARIAN REFORM LAW AND SAME BANKS ARE  
4 HEREWITH ALLOWED TO SELL SAID ACQUIRED  
5 AGRICULTURAL ASSETS TO INTERESTED PARTIES.

6 SEC. 20-C. COMPLIANCE WITH AGRI-AGRA CREDIT –  
7 THE AGRI-AGRA MANDATORY CREDIT ALLOCATION  
8 REQUIRED UNDER PD 717 SHALL BE PEGGED AT FIFTEEN  
9 PERCENT (15%) COMBINED AGRI-AGRA FOR THRIFT BANKS.”

10 **SEC. 7.** This Act shall take effect fifteen (15) days from the date of its  
11 publication in at least two (2) national newspapers of general circulation.

Approved,