


FIFTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Second Regular Session)

Senate
Office of the Secretary

12 FEB 23 04:18

SENATE

P.S. Res. No. 726

REC'D BY: 

Introduced by Senator Vicente C. Sotto III

RESOLUTION

DIRECTING THE COMMITTEE ON BANKS, FINANCIAL INSTITUTIONS AND CURRENCIES TO INQUIRE AND REVIEW THE FEASIBILITY OF REPEALING THE BANK SECRECY LAW, INCLUDING THE FOREIGN CURRENCY DEPOSIT UNITS LAW TO INCULCATE ACCOUNTABILITY AND TRANSPARENCY AND JOIN THE GLOBAL BANDWAGON IN RELAXING CONFIDENTIALITY IN THE BANKING INDUSTRY

WHEREAS, the fundamental promise of the present administration is good governance through the thrust of "Daang Matuwid" and promoting transparency and accountability through anti-corruption measures;

WHEREAS, banking institutions are presently being abused, making it a vehicle for corruption and money-laundering;

WHEREAS, there is a need to visit the history of the bank secrecy law and its raison d'être to review its efficacy and its present applicability;

WHEREAS, the Bank Secrecy Law (RA 1405) was enacted in 1955 during the period the banking industry was still in its infancy stage with barely five Filipino-owned banks in existence. There were also only a handful of depositors patronizing the banks due to low income with trade and commerce practically geared towards a slow agricultural-based economy placing the country's financial industry in a slump position;

WHEREAS, in the 1950's, the already bleak financial industry was further aggravated by the people's lack of understanding in the banking system and the fear of becoming subject of investigation for tax evasion that lead to hoarding of money at homes and capital flight;

WHEREAS, in order to boost the banking activity as well as generate savings, Congress at that time, introduced major legislative measures to establish and strengthen the credit facilities to jump-start the Philippine Capital Market and propel economic growth. The banking system was at the same time revolutionized by protecting the privacy of depositors through the passage of Bank Secrecy Law as a vehicle to gain trust and confidence in the local banking system to encourage savings;

WHEREAS, records of Congress reveal that while it has been admitted that one crucial repercussion of the law is for it to become a haven for tax evaders, it was argued that it is a small price to pay in exchange for perking the financial industry in the country;

WHEREAS, it can be surmised that the very reason for passing RA 1405 was intended to support the growth of the Philippine banking system that has been established during the period the country was just recuperating from the ill effects of World War II;

WHEREAS, the Philippine banking system at present is already standing in a firm foundation. The industry, after more than 55 years since the inception of the Bank Secrecy Law having gone through and survived turmoil brought about by domestic and international economic crisis, no longer requires the antiquated statute for banks to survive;

WHEREAS, the world financial system has already evolved over the years wherein it has become evident for the need to disclose information in banks, as a result of the growing clamors for transparency and accountability;

WHEREAS, the passage of the Anti-Money Laundering Law, which in effect gives authority for the government to scrutinize and freeze suspicious accounts, can be considered an offshoot to relax the confidentiality in bank deposits;

WHEREAS, in one of the recent articles in the Philippine Daily Inquirer, former US ambassadors to Manila Francis Ricciardone and Kristine Kenney were quoted to have said that *"the banking secrecy laws in the country were hampering transparent governance and anticorruption mechanisms, and went against the global trend relaxing banks secrecy laws"*;

WHEREAS, it was further claimed by Ambassador Ricciardone that *"the bank secrecy laws in the Philippines are among the strictest in the world"*.

WHEREAS, it has become apparent that the need for the said legislated law more than five decades ago has already seized to exist;

NOW, THEREFORE, BE IT RESOLVED, as it is hereby resolved, to direct the Committee on Banks, Financial Institutions and Currencies to inquire and review the feasibility of repealing the Bank Secrecy Law, including the Foreign Currency Deposit Units Law to inculcate accountability and transparency and join the global bandwagon in relaxing confidentiality in the banking industry.

Adopted,


VICENTE C. SOTTO III
Senator