
Read and analyze the cases and answer the following questions.

1. Maharlikang Pilipino Banking Corporation (MPBC) operates several branches of Maharlikang Pilipino Rural Bank in Eastern Visayas. Almost all the branch managers are close relatives of the corporation's board members. Many undeserving relatives of the branch managers were granted loans. In time, the branches could not settle their obligations to depositors and creditors. Consequently, on June 4, 201A, ABC Bank extrajudicially foreclosed the property. Being the highest bidder in the auction sale conducted, ABC Bank was issued a Certificate of Sale which was registered on receiving reports of these irregularities. The Supervising and Examining Department (SED) of the Monetary Board prepared a detailed report (SED Report), specifying the facts and the chronology of events relative to the problems that beset MPBC rural bank branches. The report concluded that the bank branches were unable to pay their liabilities as they fall due and could not possibly continue in business without incurring substantial losses to its depositors and creditors.

Issues:

- a. May the Monetary Board order the closure of the MPBC rural banks relying only on the SED Report without an examination? Explain.

Yes. Upon receipt of the report of the SED, the Monetary Board is authorized to take any of the actions enumerated under Sec. 30, RA No. 7653, otherwise known as the New Central Bank Act, leading to the receivership and liquidation of a bank or quasi-bank. As stipulated in the provision, upon report of the head of the supervising or examining department, the Monetary board may summarily and without need for prior hearing forbid the institution from doing business in the Philippines and designate the Philippine Deposit Insurance Corporation as receiver of the banking institution. There is no requirement that an examination be first conducted before a banking institution may be placed under receivership.

- b. If MPBC hires you as a lawyer because the Monetary Board has forbidden it from carrying on its business due to its imminent insolvency, what action will you institute to question the Monetary Board's order? Explain.

I will institute a petition for certiorari to questioned the order of the Monetary Board on the ground that the action taken was in excess of jurisdiction or with grave abuse of discretion amounting to lack or excess of jurisdiction. The petition of certiorari may only be filed by the stockholders of record representing the majority of the capital stock within 10 days from receipt by the board of directors of the MPBC of the order directing receivership, liquidation or conservatorship. (Section 30, R.A. 7653)

2. Due to growing financial difficulties, Y Bank was unable to finish construction of its 20- story building on a prime lot located in Makati City. Inevitably, the Bangko Sentral ordered the closure of Y Bank and consequently placed it under receivership. In a bid to save the bank's property investment, the president of Y Bank entered into a financing agreement with a group of investors, for the completion of the construction of the building in exchange for a ten-year lease and the exclusive option to purchase the building.

Issue: Is the act of the president valid? Why or why not?

- **No, the bank president's act is not valid. He had no authority to enter into the financing agreement. Y Bank was ordered closed and placed under receivership. Control over the properties of Y Bank passed to the receiver. This is under the stipulation of the provision in Section 30 of R.A. No. 7653 which the appointment of a receiver operates to suspend the authority of the bank and its directors and officers over the bank's assets and properties, such authority being reposed in the receiver.**

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