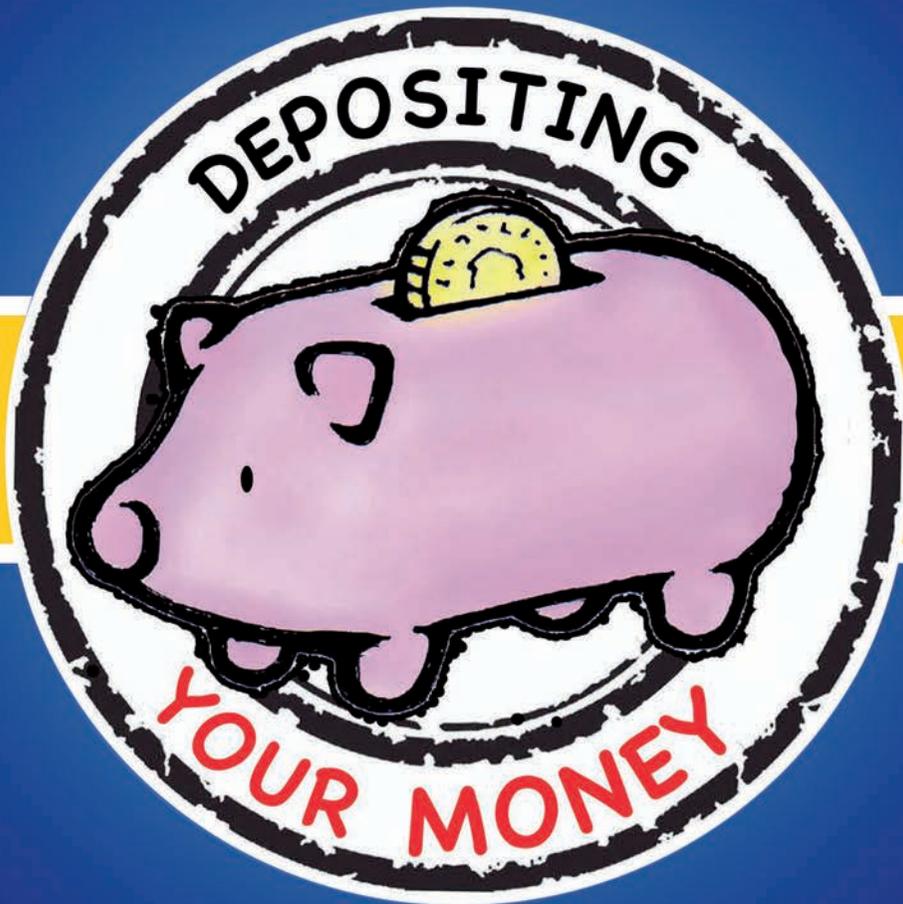


CHAPTER 3



It's a Wednesday and both *Mang* Domeng and *Aling* Lorna are about to send off their kids to school. There are about five weeks to go before *Mang* Domeng flies back to the Middle East.

Both *Mang* Domeng and *Aling* Lorna were bothered by some commotion over at their dresser drawers. It's Tessie rummaging through the drawers.



"Firstly," *Aling* Lorna asks, "do you even know what a savings account is all about?"

Tessie replies, "No po, but I need to have one if I want to stop my BFF from bragging."

Both *Mang* Domeng and *Aling* Lorna could not help but chuckle. "OK, Tessie", says *Aling* Lorna, "give me time to freshen up and I will explain everything to you over breakfast."

A few minutes later, Tessie is already halfway through her breakfast eagerly waiting for her *Nanay*. Swinging her legs beneath her chair, Tessie shouts, “*Nanay*, please hurry up *po* as my bus will be here any minute.” Sonny, who was initially just minding his own business, is now slowly becoming intrigued about why Tessie is rushing their *Nanay*.

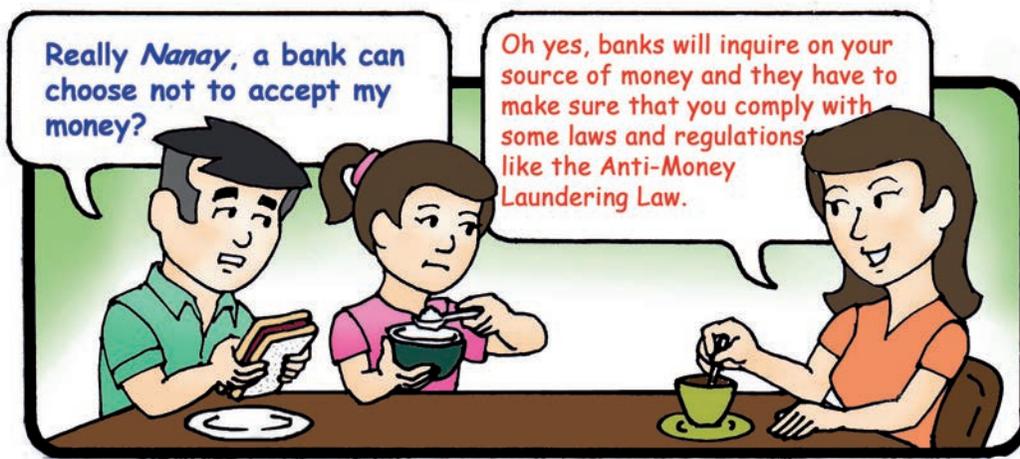
Once at the dining table, *Aling* Lorna sips her morning coffee and begins to explain to Tessie all about savings accounts.

“You see, Tessie,” *Aling* Lorna says, “a savings deposit account is used by people to keep money that they may need in the near future. These savings deposit accounts are opened and maintained with banks. Having a savings deposit account also makes it easier for your *Tatay* to be paid his salary. His employer just deposits the money to his account. He does not have to carry his salary around and be easily tempted to spend it. Putting his salary in a savings account also makes his salary safe from people who may want to steal his money. And it also makes it easy for your *Tatay* to send money to us from abroad by just telling his bank to remit the money to our own savings deposit account with a bank here in the country.”

Aling Lorna adds, “But it is the bank that decides if it wants to accept your deposit. Not only that, banks ask their depositors to comply with some requirements before they open an account. Such requirements may vary slightly from bank to bank. So far, we haven’t opened an account for you or your *Kuya* Sonny.”

Financial Expert's Corner

The KYC (know your client) policies of banks, especially in the light of anti-money laundering practices, make deposit account opening slightly more tedious but safer for society in general. Apart from the standard account opening forms, banks will require supporting documents and valid identification documents (IDs). Examples of valid IDs are an unexpired driver's license and passport as well as Social Security System (SSS) and Government Service Insurance System (GSIS) IDs.



Financial Expert's Corner

The Anti-Money Laundering Act of 2001 defines covered and suspicious transactions as follows:

- Covered transactions are single transactions in a bank with an amount over Five Hundred Thousand (Php500,000) Pesos within one (1) banking day

- *Suspicious transactions are transactions of clients of covered institutions, regardless of amounts, where:*
 - there is no legal source or basis for the transaction;
 - the client is not properly identified;
 - the business or personal finances of the client cannot possibly produce the suspicious amount;
 - the transaction is hidden through many layers of owners;
 - the transaction is significantly different from the client's historical transactions; and
 - the transaction comes from an unlawful activity

Tessie asks her *Nanay* if a bank will accept the coins in her piggy bank as a deposit.

Aling Lorna replies, "Yes, if the total amount of your coins meets the minimum amount banks require for opening savings deposit accounts. Once the account is opened, banks should accept any amount as deposit."

Sonny follows up with the question of whether banks will accept checks as deposit.

"Yes, Sonny, banks also accept checks for deposit," replies *Aling Lorna*. "Tessie," says *Aling Lorna*, "do you still remember our discussion about checks?"

Tessie smilingly says, "Yes *po*, I still do." "Very good then," says *Aling Lorna*.

“But Sonny and Tessie,” reminds *Aling Lorna*, “banks only act as collectors of the amounts written on checks that are used for deposit. That is why banks will normally wait until they receive the actual cash those checks represent, a process called *check clearing*, before they consider an account successfully opened.”

Financial Expert's Corner

Even cashier's or manager's checks that are deposited with one bank and drawn from another one go through the normal three-day clearing time. A check that is deposited and drawn from the same bank does not have to go through the clearing system.



Financial Expert's Corner

In accordance with the rules of the Bangko Sentral ng Pilipinas, savings deposit accounts that remain inactive for two (2) years will be considered dormant and will be charged the appropriate monthly service fee. The same applies for current or checking accounts that remain inactive for one (1) year. Accounts that are inactive for ten (10) years are escheated in favor of the Treasurer of the Philippines³.

Savings Accounts

“*Tatay*,” asks Sonny, “together *po* we have watched a lot of action movies where bad guys rob banks. What will happen to my money if my bank is robbed?”

Mang Domeng says, “*Anak*, money deposited with a bank remains safe and whole even if a bank branch is robbed, burns down or is destroyed by earthquake, typhoons, flood, and even lightning strike. Banks buy insurance for such events.”

“On the other hand,” *Mang Domeng* adds, “up to Php500,000 of a depositor’s money will be safe and kept whole even if the bank where the deposit is kept is closed down by the government. This is called deposit insurance coverage for depositors. This is provided by Philippine Deposit Insurance Corporation or PDIC. Do you remember seeing that sign on our bank that says deposits insured with PDIC? That’s what I’m talking about.”

Tessie asks when she will be able to get her own savings account passbook. *Aling Lorna* replies, “Tessie, you are too young to have your own passbook account. Legally, you are still a minor. But let me talk to your *Tatay* about it. I believe we can open a savings account in our name and in trust for you. I am certain that it is the same type of account that your BFF has.”

³ Ownership of the deposit account is transferred to the Philippine government through the National Treasury.

“Really *po*, Nanay?”, Tessie excitedly asks.

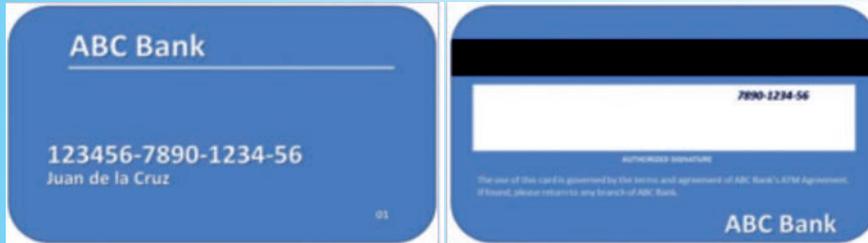
“Yes, *Anak*,” Aling Lorna replies, “but just to let you know, you have a choice of having a passbook account or one with just an automatic teller machine or ATM card.”

Financial Expert’s Corner

Savings accounts can come with or without a passbook. A savings account with a passbook usually requires a higher opening and maintaining balance because of the added administrative work compared to an account that has an automatic teller machine (ATM) card in its place.

A typical ATM card will look like the illustration given in Figure 2 as follows:

Figure 2



It is important to sign on the back of the ATM card as the signature can be used as additional proof that an ATM card is indeed owned by a person claiming it after it was lost.

Banks may or may not issue an ATM card with an initial personal identification number (PIN). If you are issued an ATM with an initial PIN, it is advisable that you immediately change the PIN while inside the bank premises or through an ATM. It is also advisable for you not to use PINs that can be easily associated with you like the numbers equivalent to your birthday or parts of your cellular phone number. You should also commit your PINs to memory. You should not keep a copy of the PIN in your wallet, purse, bag or any other place where your ATM card is also kept.



Did You Know?

ATM cards are at all times the property of banks. ATM cards are non-transferable. They cannot be lent for use by another person or be pledged as security in whatsoever manner. That is one important reason why ATM cards should not be pawned.

Tessie says, “Now I get it, if I get an ATM, I can use that to brag to my BFF because that means I also have a savings account!”

Mang Domeng replies, “That may be true *anak* but firstly, you shouldn’t brag or compare yourself with others. You are your own person, with or without a savings account. Secondly, there’s another thing you can do with your ATM card.”

Tessie asks, “Really, what is that *po*, *Tatay*?”

Suddenly a horn honks. *Aling Lorna* says, “*Mga anak*, that is your school bus service. Hurry now or it may leave you behind. We will continue this later.”

As soon as their children had left for school, *Aling Lorna* asks *Mang Domeng*, “*Tatay*, what else is there that you could do with your ATM?”

Mang Domeng, “You can do your favorite thing with it, shop!”

Financial Expert's Corner

With current technology, ATM cards can now also be used as debit cards by just swiping them at point of sale/service (POS) machines at store counters. This is all the more reason to memorize PINs and keep the ATM card safe at all times. This also means that using ATMs like you would debit cards is a convenient but also fast way to spend your money. Prudence in spending is strongly suggested.

Deposits made through ATMs are subject to manual verification by at least two (2) authorized bank personnel. Checks deposited through ATMs will also have to go through the normal check clearing process.

Interbank ATM transactions, whether done in the Philippines or abroad (if the ATM card is capable of such) are subject to transaction fees. It is advisable to be aware of such fees as they can be sizeable when done frequently. Withdrawals done in a foreign country will also be subject to currency conversion rates.

In the evening of the same day, *Mang Domeng's* children are excited to continue their morning's discussion.

After being told what else could be done with ATM cards, *Sonny* asks,

“*Tatay*, how does a savings account passbook look like *po*?”

Mang Domeng pulls out his own passbook similar to the picture shown in Figure 3 on page 42 and shows what is written on the first two pages.

Mang Domeng explains to his children that banks require depositors to sign on the passbook using invisible ink that is readable, just like magic, only when exposed to a special ultraviolet reader. He says that all that bank tellers

need to do is to cross-check the signature/s on withdrawal slips with that or those appearing on the passbook when placed under an ultraviolet reader.

Mang Domeng also explains that a passbook can be opened and used by only one person. This is called a single or individual account. Passbooks can also be opened by two or more people. This kind of account can either be an “AND”, “OR”, or “AND/OR” account. *Mang Domeng* relates that if a savings account is of the “AND” type, both signatories to the account must approve each transaction by signing on the withdrawal slip of the bank. If the savings account is of the “AND/OR” type, the instructions of one of the joint account holders will be taken by the bank as the instruction of the other joint account holder. This is why there appears in withdrawal slips the statement that “*I/we declare under the penalties of perjury that my/our co-depositor(s) is/are still living.*”

Figure 3

<h2>ABC Bank</h2>		
ACCOUNT NAME		
BRANCH	CURRENCY	ACCOUNT NUMBER
YOUR DEPOSITS ARE INSURED WITH THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC) UP TO PHP500,000.00 PER DEPOSITOR.		
<p>Thank you for opening your account with ABC Bank.</p> <p>This book is a record of all your transactions with ABC Bank. Please present this to the teller every time you make a deposit or withdrawal.</p> <p>The balance appearing in this record book will be conclusive only if the record book is fully updated and the balance reflects all appropriate deposits/credits and/or withdrawals/debits.</p> <p>For your protection, please keep this record book in a safe place. Should this be misplaced or lost, please notify your branch of account immediately to avoid unauthorized transactions.</p> <p>It is agreed that the opening of this account is subject to ABC Bank rules and regulations.</p> <p>Thank you for giving us the privilege to serve you.</p>		
No. 123456		

Tessie expresses some concerns. “*Tatay*, I am not that tall and I have seen the counters for making deposits and withdrawals whenever *Nanay* brings me with her to the bank. Can you or *Nanay* make the deposit or withdrawal for me?”

Sonny chides Tessie and says, “Of course, *Tatay* or *Nanay* can make deposits or withdrawals for you with your savings account. Isn’t that true, *Tatay*?”

Mang Domeng replies, “You are correct, Sonny. Since *Nanay* and I will have our names as the trustors of Tessie, we can deposit and withdraw for her. But even with deposit accounts of adults, they can make deposits or withdrawals through people they trust. They just need to bear in mind that when withdrawing through representatives, they would need to authorize their representative by signing on a particular space provided in withdrawal slips. Their representative must also sign on the space provided for him in the withdrawal slip and present valid IDs to the bank teller to prove that he and the authorized representative are one and the same.”

Financial Expert’s Corner

Figure 4 illustrates the next two pages of a passbook where the printing of transactions is done. The line numbers on the left margin are used by bank tellers to instruct their computers on where to print the next banking transaction. A column for the transaction code describes the type of transaction. The description for each transaction code typically appears towards the back of a passbook as a legend table. If there is no legend table for codes, you can always consult your bank for the actual code description/s.

Figure 4

	DATE	WITHDRAWAL	DEPOSIT	BALANCE	CODE
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					

SAMPLE ONLY

ABC BANK

Checking Accounts

The astute Tessie now asks, “*Tatay*, if savings accounts are good for keeping money that you will need in a short while, what then are checking accounts good for *po*?”

Aling Lorna, who had just been watching with adoring eyes how the three loves of her life were interacting, butts in with, “Good question, Tessie.” She continues, “Checking accounts are ideal for people and institutions that need to make transactions using big amounts of money. A properly issued check does away with the need to bring hoards of cash that may just attract robbers.”

Aling Lorna smiles and continues, “Checks are made from special security paper and are printed only by the suppliers authorized by the *Bangko Sentral ng Pilipinas* and the Philippine Clearing House Corporation or PCHC.” Holding a magnifying glass in one hand, *Aling Lorna* gently pulls *Sonny* to her and says, “Take a closer look at our check with the magnifying glass and tell me what you see.”



Aling Lorna says, “You are correct. But those are not strands of hair. They are security fibers. They are placed there intentionally to make it difficult to make a fake check. Plus, there are many other things that protect a check from being counterfeited.”

To this end, *Aling Lorna* slowly explains each part of a check to her two children in the following fashion and using a check similar to the one presented in Figure 5.

Financial Expert's Corner

Figure 5 shows a sample of a personal check. Commercial or corporate checks would basically have the same contents but would be larger in paper size to allow for two signatories. Having two signatories makes for good check and balance so that fraud is minimized, if not totally avoided.

A check can be presented to the depository bank of the payor for encashment. However, it is not uncommon for checks to be marked with two diagonal and parallel lines on their upper left corner. Crossing a check this way tells the depository bank of the payor that the check can only be accepted for deposit and not encashment. If the payor changes his mind, he or she can “un-cross” the check by signing on top of the two diagonal parallel lines.

Writing the word “cash” as the payee of the check means that anybody holding on to the check can literally deposit it in his account or encash it with the payor’s bank. It is safer to put an actual name as the payee to avoid having the check presented by an unintended payee.

Figure 5

Front Side of Check

ACCOUNT NO. 123-45-67890-1	ACCOUNT NAME JUAN DE LA CRUZ		CHECK NO. 12345678	R/T NO. 09876-543-2
DOCUMENTARY STAMPS PAID	PAY TO THE ORDER OF	DATE		
	PESOS	<input type="text" value="P"/>		
	ABC Bank KAIMITO BRANCH 123 SANGANG DAAN QUEZON CITY	SIGNATURE		
183486718348***1834***183486789018***				

Located on the upper left hand corner of the check is the checking account number. The coding of account numbers depends on the bank. However, it would usually contain codes for the location of the branch, the type of account, and the number of the account itself.

Some checks carry a bar code near their top portion. This bar code is a security feature of some banks to prevent the counterfeiting of their checks.

The R/T No. that appears on the upper right hand corner of the check is the code for a bank's branch and is used to facilitate the routing of checks.

The combination of the check number, the R/T No. and the checking account number form the number found on the left bottom corner of the check. This combination is written in magnetic ink character recognition or MICR format for reading and automatic encoding by computers. This information is read by the bank's computer before the check is delivered to the clearing house.

“Wow, *Nanay*, that is very interesting. I did not know that one piece of check can contain so much information,” says Sonny.

Still eager but starting to get sleepy, Tessie asks for one final request for the day from her *Nanay*. “*Nanay*,” the groggy Tessie asks, “what are these markings on the back of the check?”

Using the same sample check, *Aling* Lorna explains the markings at the dorsal or back side of the check, similar to those shown in Figure 6, in the following fashion:

Figure 6

Back Side of Check



Towards the right of the dorsal side of the check is where the payee or recipient of the amount on the check may sign for encashment purposes and also indicate his or her deposit account number in case the check is being deposited to his or her account.

The “space for the bank guarantee stamp” is used by the bank accepting the check to show that according to their review, the check complies as a negotiable check in its present form. The accepting bank, however, does not make any guarantees on whether the check is backed by sufficient deposits, which is the substance of the check.

In case a check is re-deposited after being declared drawn against insufficient funds (DAIF) or drawn against uncleared deposits (DAUD), the accepting bank will set its stamp of check negotiability in the area marked “space for 2nd presentment stamp.” Checks may be re-deposited only once. Checks issued from closed accounts as well as those where a “stop payment” order was issued by the payor cannot be re-deposited.

“OK, *mga Anak*, it’s getting late. Time to go to bed,” says *Aling Lorna*.

Financial Expert's Corner

To avoid having a check declared DAIF or DAUD and paying expensive penalties, it is best to learn how to balance a checkbook. There are no special skills needed. Just the patience and discipline to jot down all deposits to and check issuances/withdrawals made against the checking account is sufficient.

There is even no need to buy expensive software or an elaborate ledger as checkbooks come with mini-ledgers where balancing can be done.

It is enshrined in the Philippine Constitution under Article 3, Section 20 that “No person shall be imprisoned for debt or non-payment of a poll tax.”

However, Batas Pambansa 22 also states that a person can be punished by imprisonment of not less than 30 days but not more than one (1) year or by a fine of not less than but not more than double the amount of the check or both such fine and imprisonment at the discretion of the court, if a person issues a check:

1. *“knowing at the time of issue that he does not have sufficient funds in or credit with the drawee bank for the payment of such check in full upon its presentment”; and*

2. *“having sufficient funds in or credit with the drawee bank when he makes or draws and issues a check, shall fail to keep sufficient funds or to maintain a credit to cover the full amount of the check if presented within a period of ninety (90) days from the date appearing thereon.”*



Did You Know?

Second endorsement is the practice of accepting as payment a check that was issued to somebody else. The practice would include that somebody else signing at the back of the check of which he is the payee and endorsing it as payment to another party. The practice of second endorsement is nowadays not followed by banks especially in the light of anti-money laundering policies.

The fine shall in no case exceed Two Hundred Thousand Pesos.

Time Deposit Accounts

It's the following Sunday. To enjoy more quality time, *Mang* Domeng and his family go to church and then eat at one of their favorite malls. After a full meal, it's time to go window shopping. First stop, the toy store.

Our Overseas Filipino Worker (OFW) family fans out. *Mang* Domeng and Sonny head for the robots and car section while *Aling* Lorna and Tessie head for the dolls. They meet up at the cashier with each child holding one toy of his/her choice. Even so, both children are beaming and can't stop jumping up and down as if their feet were on springs.

Next stop is the department store where *Mang* Domeng surprises *Aling* Lorna by asking her to pick out a new dress with matching shoes and bag. "Are you sure we can afford it?," asks *Aling* Lorna.

"Don't worry," *Mang* Domeng replies, "I've got it covered."

Last stop is the record bar where *Mang* Domeng buys original CDs of his favorite hits of the 70s and 80s to keep him company while he is far away from home.

After a quick stop at an ice cream stand, our OFW family heads home. With their parents barely out of their seatbelts, the children jump out of their car and rush into their house with their respective new toys in tow, ripping the toys' boxes as they run.

Still in their car, *Mang* Domeng and *Aling* Lorna cannot help feel very blessed with two such happy children, a modest home, a not-so-old car and the ability to afford the simple luxuries in life.

Mang Domeng says to Aling Lorna, “Nanay, it’s a good thing we placed our money in time deposit. Whatever we had been spending on entertainment so far is just from the proceeds of the interest income on our placements. Keep safe our Certificate of Time Deposit (CTD)”.

“That’s right, Tatay,” says Aling Lorna, “if we did not listen to Sir Ed, our bank branch manager, we could be spending down our hard-earned savings instead of just the interest. Don’t worry, I will keep the CTD safe.”

Financial Expert’s Corner

Time deposits are ideal for people and institutions that can afford to keep their money invested over a period of time. This period can range from a few days to several years.

It has been the practice of banks to absorb the documentary stamp tax (DST) on time deposits they offer. DST is charged to the depositor usually when:

- 1. a request for pre-termination of a short-term time deposit is made; or*
- 2. a request for pre-termination of a long-term time deposit is received early on in the life of the time deposit*

These rules will vary between banks and are guided by prevailing market practice.

For long-term time deposits, interest may be paid periodically or at maturity. People who can wait for their money to grow will normally pick the time deposit that pays interest at maturity. People who need to use the interest on the time deposits, like retirees, will naturally pick the time deposit that pays periodic interest.

Time deposits will typically be paired by the bank with the depositor's savings account for crediting of any interest earnings as well as the maturity proceeds. Linking a savings account with a time deposit that pays periodic interest helps to keep the savings account from being declared dormant.

“By the way *Nanay*, our time deposit is about to mature,” says *Mang Domeng*. “Please make sure you renew it and as provided in our budget, add a little bit more.” He adds, “Don’t bother entertaining offers from never-heard-of companies; if the offer becomes too difficult to refuse, consult with me first.”

“Moreover,” he says, “when you make the placement, please get a Certificate of Time Deposit (CTD) from the bank that contains the following information:

1. our names
2. our address
3. bank branch
4. CTD number
5. principal amount of the time deposit with the amount also machine-stamped
6. term in days or years
7. opening date
8. maturity date
9. interest rate quoted on a per annum basis
10. interest payment schedule
11. settlement deposit account number

“Finally,” says *Mang Domeng*, “never forget that the CTD must be officially signed by the authorized personnel of the bank inside the bank’s premises.”

Financial Expert's Corner

It should be noted that if a time deposit will have a term of one (1) year or less, the equivalent gross interest will be computed based on the following formula:

$$\text{Quoted bank rate (p.a.)} \times \frac{\text{tenor of time deposit}}{360} \times \text{principal}$$

The gross interest rate for a time deposit with a tenor of more than one year will be computed as follows:

$$\text{Quoted bank rate (p.a.)} \times \frac{\text{tenor of time deposit}}{365} \times \text{principal}$$

The practice is that if the maturity and/or interest payment date of the time deposit falls on a weekend or holiday, the maturity proceeds and/or interest will be credited to the depositor's settlement account on the following banking day.

Time deposit accounts may be automatically renewed provided the depositor gives that specific instruction to the bank. The best practice among banks is to mail notices to the depositor that his or her time deposit has been automatically renewed. Any pre-termination of a time deposit will result in lower interest for the depositor and the payment of Documentary Stamp Tax, if applicable.

A sample computation of lower interest rate under a time deposit pre-termination is as follows:

- *75% of the quoted gross interest rate for pre-termination within the first half of the quoted term; and*
- *50% of the quoted gross interest rate for pre-termination during the second half of the quoted term.*

Closing the Deposit Account

Aling Lorna just remembered, “*Tatay*, we have an account with another bank that we had not been touching for quite some time. Do you think we should already close it? After all, I find it more convenient dealing with Sir Ed.”

Mang Domeng replies, “Why not? We might just end up paying the dormant account charges.”

Financial Expert’s Corner

Closing a deposit account is a two-way street. A bank can decide to close a deposit account at any time without any obligation to explain the reason to you as the depositor. In doing so, the bank will pay you the proceeds of the closed deposit net of any and all applicable charges.

In opening a deposit account, you must consent to giving authority to the bank to automatically close the same deposit account without prior notice if the deposit account is:

- 1. mishandled with DAUD or DAIF checks;*
- 2. involved in fraudulent or illicit activities; or*
- 3. opened with misrepresentations.*

In closing the deposit account, you, as the depositor, will also need to consent to holding the bank, together with its officers and employees, free from all liabilities of whatsoever nature arising from such account closing.

If you initiate deposit-account closing, you should also ensure that parties transacted with using the closed account are notified ahead of time. It is also your duty to replace post-dated checks. Otherwise, you may face the penalties provided under Batas Pambansa 22 especially if it can be proven that there was the intent of running away from financial obligations by closing the pertinent deposit account. And just like with bank-initiated account closings, the bank cannot be made responsible for liabilities arising from depositor-initiated account closings.

Depositing Your Money

1. Savings accounts are great for people and institutions that need a safe and readily accessible place to keep short-term money. Short-term money means that the money will have to be accessible immediately.
2. Checking accounts are ideal for people and institutions that need to make transactions using sizeable amounts of money. A properly issued check does away with the need to bring loads of cash.
3. Time deposits are ideal for people and institutions that can afford to keep their money invested over a period of time. This period can range from a few days to several years.
4. The type of deposit account being opened will depend on the need of the depositor.

