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that the writ of preliminary injunction should issue only to prevent the threatened continuous and irremediable injury to the applicant before the claim can be justly and thoroughly studied and adjudicated.[31]

WHEREFORE, the Court **AFFIRMS** the decision of the Court of Appeals; and **ORDERS** petitioner to pay the costs of suit.

The Court Administrator shall disseminate this decision to the lower courts for their guidance.

SO ORDERED.

Corona, C.J. (Chairperson), Leonardo-de Castro, Brion,[*] and *Villarama, Jr., JJ.,* concur.

THIRD DIVISION

[G.R. No. 170290. April 11, 2012]

PHILIPPINE DEPOSIT INSURANCE CORPORATION, *petitioner, vs.* **CITIBANK, N.A. and BANK OF AMERICA, S.T. & N.A.,** *respondents.*

SYLLABUS

1. COMMERCIAL LAW; BANKS AND BANKING; RELATIONSHIP BETWEEN THE PHILIPPINE BRANCH AND ITS PARENT COMPANY, ELABORATED. — This Court is of the opinion that the key to the resolution of this controversy is the relationship of the Philippine branches of Citibank and BA to their respective head offices and their other foreign branches.

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[31] *Republic v. Silerio*, G.R. No. 108869, May 6, 1997, 272 SCRA 280, 287.

[*] Vice Associate Justice Mariano C. Del Castillo who concurred with the decision of the Court of Appeals, pursuant to the raffle of April 11, 2012.

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x x x [I]t is apparent that x x x *both* [Citibank and BA] *did not incorporate* a separate domestic corporation to represent its business interests in the Philippines. Their Philippine branches are, as the name implies, merely branches, without a separate legal personality from their parent company, Citibank and BA. Thus, being one and the same entity, the funds placed by the respondents in their respective branches in the Philippines should not be treated as deposits made by third parties subject to deposit insurance under the PDIC Charter. For lack of judicial precedents on this issue, the Court seeks guidance from American jurisprudence. In the leading case of *Sokoloff v. The National City Bank of New York*, where the Supreme Court of New York held: **Where a bank maintains branches, each branch becomes a separate business entity with separate books of account.** x x x **Nevertheless, when considered with relation to the parent bank they are not independent agencies; they are, what their name imports, merely branches, and are subject to the supervision and control of the parent bank,** x x x **Ultimate liability for a debt of a branch would rest upon the parent bank.** x x x Philippine banking laws also support the conclusion that the head office of a foreign bank and its branches are considered as one legal entity. Section 75 of R.A. No. 8791 (The General Banking Law of 2000) and Section 5 of R.A. No. 7221 (An Act Liberalizing the Entry of Foreign Banks) both require the head office of a foreign bank to guarantee the prompt payment of all the liabilities of its Philippine branch[.] x x x the Court agrees with the CA ruling that there is nothing in the definition of a "bank" and a "banking institution" in Section 3(b) of the PDIC Charter which explicitly states that the head office of a foreign bank and its other branches are separate and distinct from their Philippine branches. x x x While branches are treated as separate business units for commercial and financial reporting purposes, in the end, the head office remains responsible and answerable for the liabilities of its branches which are under its supervision and control.

2. ID.; ID.; ID.; FUNDS PLACED IN THE PHILIPPINE BRANCH BY PARENT COMPANY ARE NOT CONSIDERED DEPOSITS UNDER THE PHILIPPINE DEPOSIT INSURANCE COMPANY (PDIC) CHARTER, THUS, EXCLUDED FROM ASSESSMENT. — PDIC does not dispute the veracity of the internal transactions of the respondents which gave rise to the issuance

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of the certificates of time deposit for the funds the subject of the present dispute. Neither does it question the findings of the RTC and the CA that the money placements were made, and were payable, outside of the Philippines, thus, making them fall under the exclusions to deposit liabilities. PDIC also fails to impugn the truth of the testimony of John David Shaffer, then a Fiscal Agent and Head of the Assessment Section of the FDIC, that inter-branch deposits were excluded from the assessment base. x x x As explained by the respondents, the transfer of funds, which resulted from the inter-branch transactions, took place in the books of account of the respective branches in their head office located in the United States. Hence, because it is payable outside of the Philippines, it is not considered a deposit pursuant to Section 3(f) of the PDIC Charter: x x x The testimony of Mr. Shaffer as to the treatment of such inter-branch deposits by the FDIC, after which PDIC was modelled, is also persuasive. Inter-branch deposits refer to funds of one branch deposited in another branch and both branches are part of the same parent company and it is the practice of the FDIC to exclude such inter-branch deposits from a bank's total deposit liabilities subject to assessment. All things considered, the Court finds that the funds in question are not deposits within the definition of the PDIC Charter and are, thus, excluded from assessment.

APPEARANCES OF COUNSEL

Office of the Government Corporate Counsel for petitioner.
Agcaoili & Associates for respondents.

D E C I S I O N

MENDOZA, *J.*:

This is a petition for review under Rule 45 of the 1997 Revised Rules of Civil Procedure, assailing the October 27, 2005 Decision[1]

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[1] *Rollo*, pp. 34-46; penned by Associate Justice Aurora Santiago-Lagman and concurred in by Associate Justice Ruben T. Reyes (retired member of this Court) and Associate Justice Rebecca de Guia-Salvador of the Fourth Division.

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of the Court of Appeals *(CA)* in CA-G.R. CV No. 61316, entitled "*Citibank, N.A. and Bank of America, S.T. & N.A. v. Philippine Deposit Insurance Corporation.*"

The Facts

Petitioner Philippine Deposit Insurance Corporation *(PDIC)* is a government instrumentality created by virtue of Republic Act *(R.A.)* No. 3591, as amended by R.A. No. 9302.[2]

Respondent Citibank, N.A. *(Citibank)* is a banking corporation while respondent Bank of America, S.T. & N.A. *(BA)* is a national banking association, both of which are duly organized and existing under the laws of the United States of America and duly licensed to do business in the Philippines, with offices in Makati City.[3]

In 1977, PDIC conducted an examination of the books of account of Citibank. It discovered that Citibank, in the course of its banking business, from September 30, 1974 to June 30, 1977, received from its head office and other foreign branches a total of ₱11,923,163,908.00 in dollars, covered by Certificates of Dollar Time Deposit that were interest-bearing with corresponding maturity dates.[4] These funds, which were lodged in the books of Citibank under the account "Their Account-Head Office/Branches-Foreign Currency," were not reported to PDIC as deposit liabilities that were subject to assessment for insurance.[5] As such, in a letter dated March 16, 1978, PDIC assessed Citibank for deficiency in the sum of ₱1,595,081.96.[6]

Similarly, sometime in 1979, PDIC examined the books of accounts of BA which revealed that from September 30, 1976 to June 30, 1978, BA received from its head office and its

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2 *Id.* at 13-14.

3 *Id.* at 47 and 56.

4 *Id.* at 35 and 83.

5 *Id.* at 35 and 244.

6 *Id.* at 79.

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other foreign branches a total of ₱629,311,869.10 in dollars, covered by Certificates of Dollar Time Deposit that were interest-bearing with corresponding maturity dates and lodged in their books under the account "Due to Head Office/Branches."[7] Because BA also excluded these from its deposit liabilities, PDIC wrote to BA on October 9, 1979, seeking the remittance of ₱109,264.83 representing deficiency premium assessments for dollar deposits.[8]

Believing that litigation would inevitably arise from this dispute, Citibank and BA each filed a petition for declaratory relief before the Court of First Instance (now the Regional Trial Court) of Rizal on July 19, 1979 and December 11, 1979, respectively.[9] In their petitions, Citibank and BA sought a declaratory judgment stating that the money placements they received from their head office and other foreign branches were not deposits and did not give rise to insurable deposit liabilities under Sections 3 and 4 of R.A. No. 3591 *(the PDIC Charter)* and, as a consequence, the deficiency assessments made by PDIC were improper and erroneous.[10] The cases were then consolidated.[11]

On June 29, 1998, the Regional Trial Court, Branch 163, Pasig City *(RTC)* promulgated its Decision[12] in favor of Citibank and BA, ruling that the subject money placements were not deposits and did not give rise to insurable deposit liabilities, and that the deficiency assessments issued by PDIC were improper and erroneous. Therefore, Citibank and BA were not liable to pay the same. The RTC reasoned out that the money placements subject of the petitions were not assessable for insurance purposes under the PDIC Charter because said placements were deposits made outside of the Philippines and,

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[7] *Id.* at 36 and 84.

[8] *Id.* at 83-84.

[9] *Id.* at 36.

[10] *Id.* at 55 and 62.

[11] *Id.* at 36.

[12] *Id.* at 78-93; penned by Judge Aurelio C. Trampe.

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under Section 3.05(b) of the PDIC Rules and Regulations,[13] such deposits are excluded from the computation of deposit liabilities. Section 3(f) of the PDIC Charter likewise excludes from the definition of the term "deposit" any obligation of a bank payable at the office of the bank located outside the Philippines. The RTC further stated that there was no depositor-depository relationship between the respondents and their head office or other branches. As a result, such deposits were not included as third-party deposits that must be insured. Rather, they were considered inter-branch deposits which were excluded from the assessment base, in accordance with the practice of the United States Federal Deposit Insurance Corporation *(FDIC)* after which PDIC was patterned.

Aggrieved, PDIC appealed to the CA which affirmed the ruling of the RTC in its October 27, 2005 Decision. In so ruling, the CA found that the money placements were received as part of the bank's internal dealings by Citibank and BA as agents of their respective head offices. This showed that the head office and the Philippine branch were considered as the same entity. Thus, no bank deposit could have arisen from the transactions between the Philippine branch and the head office because there did not exist two separate contracting parties to act as depositor and depositary.[14] Secondly, the CA called attention to the purpose for the creation of PDIC which was to protect the deposits of depositors in the Philippines and not

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[13] "Section 3.05 Exclusions from Deposit Liabilities. For assessment purposes, the following items may be excluded in computing the total deposit liabilities:

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b. Deposit liabilities of a bank which are payable at an office of the bank located outside the Philippines unless the insured bank which is incorporated under the laws of the Philippines and which maintains a branch outside the Philippines has elected to include for insurance its deposit obligations payable only at such branch in which case such deposit liabilities should be included as part of the total deposit liabilities."

[14] *Rollo*, pp. 41-42.

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the deposits of the same bank through its head office or foreign branches.[15] Thirdly, because there was no law or jurisprudence on the treatment of inter-branch deposits between the Philippine branch of a foreign bank and its head office and other branches for purposes of insurance, the CA was guided by the procedure observed by the FDIC which considered inter-branch deposits as non-assessable.[16] Finally, the CA cited Section 3(f) of R.A. No. 3591, which specifically excludes obligations payable at the office of the bank located outside the Philippines from the definition of a deposit or an insured deposit. Since the subject money placements were made in the respective head offices of Citibank and BA located outside the Philippines, then such placements could not be subject to assessment under the PDIC Charter.[17]

Hence, this petition.

The Issues

PDIC raises the issue of whether or not the subject dollar deposits are assessable for insurance purposes under the PDIC Charter with the following assigned errors:

A.

The appellate court erred in ruling that the subject dollar deposits are money placements, thus, they are not subject to the provisions of Republic Act No. 6426 otherwise known as the "Foreign Currency Deposit Act of the Philippines."

B.

The appellate court erred in ruling that the subject dollar deposits are not covered by the PDIC insurance.[18]

Respondents similarly identify only one issue in this case:

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15 *Id.* at 42.

16 *Id.* at 43.

17 *Id.* at 45.

18 *Id.* at 21, 247-248.

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Whether or not the money placements subject matter of these petitions are assessable for insurance purposes under the PDIC Act.[19]

The sole question to be resolved in this case is whether the funds placed in the Philippine branch by the head office and foreign branches of Citibank and BA are insurable deposits under the PDIC Charter and, as such, are subject to assessment for insurance premiums.

The Court's Ruling

The Court rules in the negative.

A branch has no separate legal personality; Purpose of the PDIC

PDIC argues that the head offices of Citibank and BA and their individual foreign branches are separate and independent entities. It insists that under American jurisprudence, a bank's head office and its branches have a principal-agent relationship only if they operate in the same jurisdiction. In the case of foreign branches, however, no such relationship exists because the head office and said foreign branches are deemed to be two distinct entities.[20] Under Philippine law, specifically, Section 3(b) of R.A. No. 3591, which defines the terms "bank" and "banking institutions," PDIC contends that the law treats a branch of a foreign bank as a separate and independent banking unit.[21]

The respondents, on the other hand, initially point out that the factual findings of the RTC and the CA, with regard to the nature of the money placements, the capacity in which the same were received by the respondents and the exclusion of inter-branch deposits from assessment, can no longer be disturbed and should be accorded great weight by this Court.[22] They

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19 *Id.* at 283.

20 *Id.* at 254-255.

21 *Id.* at 260.

22 *Id.* at 285-286.

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also argue that the money placements are not deposits. They postulate that for a deposit to exist, there must be at least two parties – a depositor and a depository – each with a legal personality distinct from the other. Because the respondents' respective head offices and their branches form only a single legal entity, there is no creditor-debtor relationship and the funds placed in the Philippine branch belong to one and the same bank. A bank cannot have a deposit with itself.[23]

This Court is of the opinion that the key to the resolution of this controversy is the relationship of the Philippine branches of Citibank and BA to their respective head offices and their other foreign branches.

The Court begins by examining the manner by which a foreign corporation can establish its presence in the Philippines. It may choose to incorporate its own subsidiary as a domestic corporation, in which case such subsidiary would have its own separate and independent legal personality to conduct business in the country. In the alternative, it may create a branch in the Philippines, which would not be a legally independent unit, and simply obtain a license to do business in the Philippines.[24]

In the case of Citibank and BA, it is apparent that they *both did not incorporate* a separate domestic corporation to represent its business interests in the Philippines. Their Philippine branches are, as the name implies, merely branches, without a separate legal personality from their parent company, Citibank and BA. Thus, being one and the same entity, the funds placed by the respondents in their respective branches in the Philippines should not be treated as deposits made by third parties subject to deposit insurance under the PDIC Charter.

For lack of judicial precedents on this issue, the Court seeks guidance from American jurisprudence. In the leading case of

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[23] *Id.* at 290.

[24] Campos, Jose Jr. and Campos, Maria Clara L., *The Corporation Code: Comments, Notes and Selected Cases*, Vol. II, p. 484.

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Sokoloff v. The National City Bank of New York,[25] where the Supreme Court of New York held:

Where a bank maintains branches, each branch becomes a separate business entity with separate books of account. A depositor in one branch cannot issue checks or drafts upon another branch or demand payment from such other branch, and in many other respects the branches are considered separate corporate entities and as distinct from one another as any other bank. **Nevertheless, when considered with relation to the parent bank they are not independent agencies; they are, what their name imports, merely branches, and are subject to the supervision and control of the parent bank**, and are instrumentalities whereby the parent bank carries on its business, and are established for its own particular purposes, and their business conduct and policies are controlled by the parent bank and their property and assets belong to the parent bank, although nominally held in the names of the particular branches. **Ultimate liability for a debt of a branch would rest upon the parent bank.** [Emphases supplied]

This ruling was later reiterated in the more recent case of *United States v. BCCI Holdings Luxembourg*[26] where the United States Court of Appeals, District of Columbia Circuit, emphasized that "while individual bank branches may be treated as independent of one another, each branch, unless separately incorporated, must be viewed as a part of the parent bank rather than as an independent entity."

In addition, Philippine banking laws also support the conclusion that the head office of a foreign bank and its branches are considered as one legal entity. Section 75 of R.A. No. 8791 (The General Banking Law of 2000) and Section 5 of R.A. No. 7221 (An Act Liberalizing the Entry of Foreign Banks) both require the head office of a foreign bank to guarantee the prompt payment of all the liabilities of its Philippine branch, to wit:

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[25] 130 Misc. 66, 224 N.Y.S. 102 (Sup. Ct. 1927), aff'd without opinion, 223 A.D. 754, 227 N.Y.S. 907, aff'd 250 N.Y.S. 69.

[26] 48 F.3d 551, 554 (D.C.Cir.1995), aff'd 833 F.Supp. 32 (D.D.C.1993), cert. denied sub nom. *Liquidation Commission for BCCI (Overseas) Ltd., Macau v. United States*, 516 U.S. 1008, 116 S.Ct. 563, 133 L.Ed.2d 489 (1995).

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Republic Act No. 8791:

Sec. 75. Head Office Guarantee. – In order to provide effective protection of the interests of the depositors and other creditors of Philippine branches of a foreign bank, the head office of such branches shall fully guarantee the prompt payment of all liabilities of its Philippine branch.

Residents and citizens of the Philippines who are creditors of a branch in the Philippines of foreign bank shall have preferential rights to the assets of such branch in accordance with the existing laws.

Republic Act No. 7721:

Sec. 5. Head Office Guarantee. – The head office of foreign bank branches shall guarantee prompt payment of all liabilities of its Philippine branches.

Moreover, PDIC must be reminded of the purpose for its creation, as espoused in Section 1 of R.A. No. 3591 (The PDIC Charter) which provides:

Section 1. There is hereby created a Philippine Deposit Insurance Corporation hereinafter referred to as the "Corporation" which shall insure, as herein provided, the deposits of all banks which are entitled to the benefits of insurance under this Act, and which shall have the powers hereinafter granted.

The Corporation shall, as a basic policy, promote and safeguard the interests of the depositing public by way of providing permanent and continuing insurance coverage on all insured deposits.

R.A. No. 9576, which amended the PDIC Charter, reaffirmed the rationale for the establishment of the PDIC:

Section 1. Statement of State Policy and Objectives. - It is hereby declared to be the policy of the State to strengthen the mandatory deposit insurance coverage system to generate, preserve, maintain faith and confidence in the country's banking system, and protect it from illegal schemes and machinations.

Towards this end, the government must extend all means and mechanisms necessary for the Philippine Deposit Insurance Corporation to effectively fulfill its vital task of promoting and safeguarding the interests of the depositing public by way of

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providing permanent and continuing insurance coverage on all insured deposits, and in helping develop a sound and stable banking system at all times.

The purpose of the PDIC is to protect the depositing public in the event of a bank closure. It has already been sufficiently established by US jurisprudence and Philippine statutes that the head office shall answer for the liabilities of its branch. Now, suppose the Philippine branch of Citibank suddenly closes for some reason. Citibank N.A. would then be required to answer for the deposit liabilities of Citibank Philippines. If the Court were to adopt the posture of PDIC that the head office and the branch are two separate entities and that the funds placed by the head office and its foreign branches with the Philippine branch are considered deposits within the meaning of the PDIC Charter, it would result to the incongruous situation where Citibank, as the head office, would be placed in the ridiculous position of having to reimburse itself, as depositor, for the losses it may incur occasioned by the closure of Citibank Philippines. Surely our law makers could not have envisioned such a preposterous circumstance when they created PDIC.

Finally, the Court agrees with the CA ruling that there is nothing in the definition of a "bank" and a "banking institution" in Section 3(b) of the PDIC Charter[27] which explicitly states that the head office of a foreign bank and its other branches are separate and distinct from their Philippine branches.

There is no need to complicate the matter when it can be solved by simple logic bolstered by law and jurisprudence. Based on the foregoing, it is clear that the head office of a bank and its branches are considered as one under the eyes of the law.

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[27] The term "Bank" and "Banking Institution" shall be synonymous and interchangeable and shall include banks, commercial banks, savings banks, mortgage banks, rural banks, development banks, cooperative banks, stock savings and loan associations and branches and agencies in the Philippines of foreign banks and all other corporations authorized to perform banking functions in the Philippines (as amended by Republic Act No. 7400 and 9302).

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While branches are treated as separate business units for commercial and financial reporting purposes, in the end, the head office remains responsible and answerable for the liabilities of its branches which are under its supervision and control. As such, it is unreasonable for PDIC to require the respondents, Citibank and BA, to insure the money placements made by their home office and other branches. Deposit insurance is superfluous and entirely unnecessary when, as in this case, the institution holding the funds and the one which made the placements are one and the same legal entity.

Funds not a deposit under the definition of the PDIC Charter; Excluded from assessment

PDIC avers that the funds are dollar deposits and not money placements. Citing R.A. No. 6848, it defines money placement as a deposit which is received with authority to invest. Because there is no evidence to indicate that the respondents were authorized to invest the subject dollar deposits, it argues that the same cannot be considered money placements.[28] PDIC then goes on to assert that the funds received by Citibank and BA are deposits, as contemplated by Section 3(f) of R.A. No. 3591, for the following reasons: (1) the dollar deposits were received by Citibank and BA in the course of their banking operations from their respective head office and foreign branches and were recorded in their books as "Account-Head Office/ Branches-Time Deposits" pursuant to Central Bank Circular No. 343 which implements R.A. No. 6426; (2) the dollar deposits were credited as dollar time accounts and were covered by Certificates of Dollar Time Deposit which were interest-bearing and payable upon maturity, and (3) the respondents maintain 100% foreign currency cover for their deposit liability arising from the dollar time deposits as required by Section 4 of R.A. No. 6426.[29]

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[28] *Rollo*, p. 252.

[29] *Id.* at 256-257.

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To refute PDIC's allegations, the respondents explain the inter-branch transactions which necessitate the creation of the accounts or placements subject of this case. When the Philippine branch needs to procure foreign currencies, it will coordinate with a branch in another country which handles foreign currency purchases. Both branches have existing accounts with their head office and when a money placement is made in relation to the acquisition of foreign currency from the international market, the amount is credited to the account of the Philippine branch with its head office while the same is debited from the account of the branch which facilitated the purchase. This is further documented by the issuance of a certificate of time deposit with a stated interest rate and maturity date. The interest rate represents the cost of obtaining the funds while the maturity date represents the date on which the placement must be returned. On the maturity date, the amount previously credited to the account of the Philippine branch is debited, together with the cost for obtaining the funds, and credited to the account of the other branch. The respondents insist that the interest rate and maturity date are simply the basis for the debit and credit entries made by the head office in the accounts of its branches to reflect the inter-branch accommodation.[30] As regards the maintenance of currency cover over the subject money placements, the respondents point out that they maintain foreign currency cover in excess of what is required by law as a matter of prudent banking practice.[31]

PDIC attempts to define money placement in order to impugn the respondents' claim that the funds received from their head office and other branches are money placements and not deposits, as defined under the PDIC Charter. In the process, it loses sight of the important issue in this case, which is the determination of whether the funds in question are subject to assessment for deposit insurance as required by the PDIC Charter. In its struggle to find an adequate definition of "money placement,"

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[30] *Id.* at 297-300.

[31] *Id.* at 302.

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PDIC desperately cites R.A. No. 6848, The Charter of the Al-Amanah Islamic Investment Bank of the Philippines. Reliance on the said law is unfounded because nowhere in the law is the term "money placement" defined. Additionally, R.A. No. 6848 refers to the establishment of an Islamic bank subject to the rulings of Islamic Shari'a to assist in the development of the Autonomous Region of Muslim Mindanao (ARMM),[32] making it utterly irrelevant to the case at bench. Since Citibank and BA are neither Islamic banks nor are they located anywhere near the ARMM, then it should be painfully obvious that R.A. No. 6848 cannot aid us in deciding this case.

Furthermore, PDIC heavily relies on the fact that the respondents documented the money placements with certificates of time deposit to simply conclude that the funds involved are deposits, as contemplated by the PDIC Charter, and are consequently subject to assessment for deposit insurance. It is this kind of reasoning that creates non-existent obscurities in the law and obstructs the prompt resolution of what is essentially a straightforward issue, thereby causing this case to drag on for more than three decades.

Noticeably, PDIC does not dispute the veracity of the internal transactions of the respondents which gave rise to the issuance of the certificates of time deposit for the funds the subject of the present dispute. Neither does it question the findings of the RTC and the CA that the money placements were made, and were payable, outside of the Philippines, thus, making them fall under the exclusions to deposit liabilities. PDIC also fails to impugn the truth of the testimony of John David Shaffer, then a Fiscal Agent and Head of the Assessment Section of the FDIC, that inter-branch deposits were excluded from the assessment base. Therefore, the determination of facts of the lower courts shall be accepted at face value by this Court, following the well-established principle that factual findings of the trial court, when adopted and confirmed by the CA, are

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[32] Republic Act No. 6848, *The Charter of the Al-Amanah Islamic Investment Bank of the Philippines* (1990), Section 3.

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binding and conclusive on this Court, and will generally not be reviewed on appeal.[33]

As explained by the respondents, the transfer of funds, which resulted from the inter-branch transactions, took place in the books of account of the respective branches in their head office located in the United States. Hence, because it is payable outside of the Philippines, it is not considered a deposit pursuant to Section 3(f) of the PDIC Charter:

> Sec. 3(f) The term "deposit" means the unpaid balance of 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 or which is evidenced by its certificate of deposit, and trust funds held by such bank whether retained or deposited in any department of said bank or deposit in another bank, together with such other obligations of a bank as the Board of Directors shall find and shall prescribe by regulations to be deposit liabilities of the Bank; **Provided, that any obligation of a bank which is payable at the office of the bank located outside of the Philippines shall not be a deposit for any of the purposes of this Act or included as part of the total deposits or of the insured deposits**; Provided further, that any insured bank which is incorporated under the laws of the Philippines may elect to include for insurance its deposit obligation payable only at such branch. [Emphasis supplied]

The testimony of Mr. Shaffer as to the treatment of such inter-branch deposits by the FDIC, after which PDIC was modelled, is also persuasive. Inter-branch deposits refer to funds of one branch deposited in another branch and both branches are part of the same parent company and it is the practice of the FDIC to exclude such inter-branch deposits from a bank's total deposit liabilities subject to assessment.[34]

All things considered, the Court finds that the funds in question are not deposits within the definition of the PDIC Charter and are, thus, excluded from assessment.

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[33] *Eterton Multi-Resources Corporation v. Filipino Pipe and Foundry Corporation*, G.R. No. 179812, July 6, 2010, 624 SCRA 148,154.

[34] *Rollo*, p. 90.

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WHEREFORE, the petition is **DENIED.** The October 27, 2005 Decision of the Court of Appeals in CA-G.R. CV No. 61316 is **AFFIRMED.**

SO ORDERED.

Velasco, Jr. (Chairperson), Peralta, Abad, and *Reyes,*[*] *JJ.,* concur.

THIRD DIVISION

[G.R. No. 173320. April 11, 2012]

EDUARDO B. MANZANO, *petitioner, vs.* **ANTONIO B. LAZARO,** *respondent.*

SYLLABUS

1. CIVIL LAW; CONTRACTS; THE GENERAL RULE THAT A CONTRACT IS THE LAW BETWEEN THE PARTIES, APPLIED; ALLEGATION OF BREACH OF CONTRACT CANNOT BE USED TO EVADE PAYMENT. — It is basic that a contract is the law between the parties. Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith. Unless the stipulations in a contract are contrary to law, morals, good customs, public order or public policy, the same are binding as between the parties. In this case, the three-month period stated in the contract had already elapsed and petitioner won as Vice-Mayor of Makati in the 1998 elections, thus, respondent is entitled not only to the full payment of his compensation but also to a bonus pay. However, respondent's compensation for the period from May 1 to 15, 1998 was not yet paid in full

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[*] Designated as Additional Member of the Third Division in lieu of Associate Justice Estela M. Perlas-Bernabe, per Special Order No. 1210 dated March 23, 2012.