



HOUSE OF REPRESENTATIVES

H. No. 7037

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INTRODUCED BY HONORABLE JAVIER (E.), TEVES, LOPEZ (J.), ROMERO, LIBAN, ALBANO, LACSON, PAYUMO, SILVERIO, BICHARA, SARMIENTO (R.), VILLAR, JR., RECTO, LOPEZ (A.), LOPEZ-VITO, BELMONTE, JR., PUNZALAN, JR., LORENZO, ANTONINO, APOSTOL, QUIMPO, ACUÑA, DEQUIÑA, SUAREZ, ANDAYA (R.), CHIONGBIAN, TINGA, AUMENTADO, YULO, ALFELOR, MERCADO, VILLAROSA, PUEY, ESCUDERO III, DRAGON, ZARRAGA, TINGZON, ALMORO, VENEGAS, GILLEGO, MENDOZA, DIAZ (R.), STARKE, ORBOS, SARMIENTO (A.), GOLEZ, VELOSO, VERCELES, JR., TILANDUCA, CATANE, DEL ROSARIO, YAP (R.), ESTRELLA (E.), ENRILE, OCAMPO, AND ZAMORA PER COMMITTEE REPORT NO. 68

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AN ACT ESTABLISHING AN INDEPENDENT CENTRAL MONETARY AUTHORITY, DEFINING ITS RESPONSIBILITIES AND POWERS, AND FOR OTHER PURPOSES

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

1 TITLE ONE - ESTABLISHMENT AND RESPONSIBILITIES OF

2 THE CENTRAL MONETARY AUTHORITY

3 Article I - *Independence of the Central*

4 *Monetary Authority*

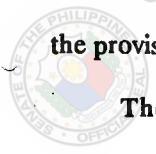
1           **SECTION 1. Declaration of Policy.** - In accordance with the  
 2           Constitution, it is hereby declared as the policy of the State to  
 3           maintain a central monetary authority that shall function and  
 4           operate as an independent body corporate in the discharge of its  
 5           mandated responsibilities concerning money, banking and credit. In  
 6           line with this policy, and considering its unique functions and  
 7           responsibilities, the central monetary authority established under  
 8           this Act, while being a government-owned corporation, shall enjoy  
 9           fiscal and administrative autonomy.

10           **Article II - Creation, Responsibilities and Corporate Powers**  
 11                                   *of the Bangko Sentral ng Pilipinas as the*  
 12   *Central Monetary Authority*

13           **SEC. 2. Creation and Capital of the Bangko Sentral.** - There  
 14           is hereby created a central monetary authority to be known as the  
 15           Bangko Sentral ng Pilipinas, which shall operate and be governed by  
 16           the provisions of this Act.

17           The capital of the Bangko Sentral shall be Ten billion  
 18           pesos which shall be fully subscribed by the National Government  
 19           and paid-in in accordance with the provisions of this Act.

20           **SEC. 3. Responsibilities and Objectives.** - It shall be the  
 21           responsibility of the Bangko Sentral to provide policy direction in  
 22           the areas of money, banking and credit, to administer and supervise



1 the monetary and banking system of the Republic, and to exercise  
 2 such regulatory powers as may be provided by law and in this Act  
 3 over the operations of finance companies and other institutions  
 4 performing similar functions of intermediating funds obtained from  
 5 the public.

6 In pursuance of such responsibilities, it shall be the duty of  
 7 the Bangko Sentral to use the powers granted to it under this Act to  
 8 formulate and implement monetary policies that will:

9 (a) Primarily to foster monetary, credit and financial market  
 10 conditions that would achieve and maintain price stability conducive  
 11 to a balanced and sustainable growth of the economy; and

12 (b) Promote and maintain monetary stability in the  
 13 Philippines, and the convertibility of the peso into other freely  
 14 convertible currencies.

15 **SEC. 4. *Place of Business.*** - The Bangko Sentral shall have  
 16 its principal place of business in Metro Manila but may maintain  
 17 branches, agencies, offices and correspondents in such other places  
 18 as the proper conduct of its business may require.

19 **SEC. 5. *Corporate Powers.*** - The Bangko Sentral is hereby  
 20 authorized to adopt, alter, and use a corporate seal which shall be  
 21 judicially noticed; to enter into contracts; to lease or own real and  
 22 personal property, and to sell or otherwise dispose of the same; to



1 sue and be sued; and otherwise to do and perform any and all things  
2 that may be necessary or proper to carry out the purposes of this  
3 Act.

4 The Bangko Sentral may acquire and hold such assets and  
5 incur such liabilities in connection with its operations authorized by  
6 the provisions of this Act, or as are essential to the proper conduct  
7 of such operations. The Bangko Sentral may compromise, condone  
8 or release, in whole or in part, any claim of, or against, the Bangko  
9 Sentral, regardless of the amount involved, under such terms and  
10 conditions as may be prescribed by the Monetary Board to protect  
11 the interests of the Bangko Sentral and the nation as a whole.

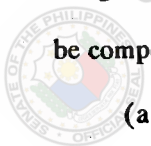
12 TITLE TWO - ORGANIZATION AND ADMINISTRATION

13 Article I - *The Monetary Board*

14 SEC. 6. *Composition.* - The powers and functions of the  
15 Bangko Sentral shall be exercised by a Monetary Board, which shall  
16 be composed of seven (7) members, as follows:

17 (a) The Governor, who shall be the Chairman of the  
18 Monetary Board. Whenever the Governor is unable to attend a  
19 meeting of the Board, the Senior Deputy Governor shall act as  
20 Chairman;

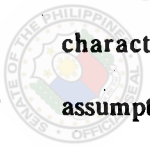
21 (b) An economic or financial cabinet official to be designated  
22 by the President ; and



1 (c) Five (5) full-time members from the private sector.

2 The Governor of the Bangko Sentral and the five (5)  
3 members from the private sector shall be appointed by the  
4 President for a term of six (6) years and whose appointments shall  
5 be subject to confirmation by the Commission on Appointments:  
6 *Provided*, That the Governor may not be reappointed: *Provided*,  
7 *further*, That of the five (5) members from the private sector first  
8 appointed under this section, three (3) shall have a term of office of  
9 six (6) years, and the other two (2) shall have a term of office of  
10 three (3) years.

11 SEC. 7. *Qualifications.* - No person shall be appointed as  
12 member of the Monetary Board or Governor of the Bangko Sentral  
13 unless he is a natural-born Filipino citizen, at least thirty-five (35)  
14 years of age and who is not related to the appointing authority  
15 within the third degree of consanguinity or affinity, of good moral  
16 character, of known probity, integrity and patriotism. Upon  
17 assumption to office, members of the Monetary Board shall divest  
18 themselves of any and all shares of stock that they or their spouses  
19 may have in any institution subject to supervision and/or regulation  
20 by or in any manner related to the Bangko Sentral during his  
21 tenure. No member of the Monetary Board may be employed or  
22 serve as consultant of any banking institution, local or foreign,



1 during his incumbency as a member and within a period of one (1)  
2 year from the date of termination of his tenure of office as such  
3 member.

4 SEC. 8. *Disqualifications.* - None of the following may be  
5 appointed Governor or member of the Monetary Board of the  
6 Bangko Sentral:

7 (a) Persons holding any public position or office, either by  
8 election or by appointment; and

9 (b) Directors, officers, employees, consultants, or  
10 stockholders of other banking or other financial institutions  
11 organized under the laws of the Philippines subject to supervision  
12 by the Bangko Sentral, including wholly- or majority-owned  
13 subsidiaries of these institutions, whether organized under the laws  
14 of the Philippines or otherwise, unless they relinquish their  
15 respective positions therefrom, and divest themselves of any  
16 financial or similar interest therein: *Provided,* That this shall not  
17 apply to non-stock savings and loan associations or provident funds  
18 organized exclusively for personnel of the Bangko Sentral.

19 SEC. 9. *Vacancies.* - Any vacancy in the Monetary Board  
20 created by the death, resignation, or removal of a member shall be  
21 filled by the appointment of a new member who shall serve the  
22 unexpired period of the term of the member concerned.

1           **SEC. 10. Removal.** - The President may remove the  
 2           Chairman or any member of the Monetary Board for any of the  
 3           following reasons:

4           (a) If he becomes subsequently disqualified under the  
 5           provisions of Section 8 of this Act; or

6           (b) If he is physically or mentally incapacitated that he cannot  
 7           properly discharge his duties and responsibilities and such  
 8           incapacity has lasted for more than six (6) months; or

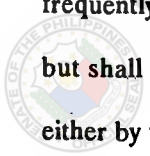
9           (c) If he is found guilty of acts, operations or omissions which  
 10          are of fraudulent or illegal character or which are manifestly  
 11          opposed to the objectives and interests of the Bangko Sentral; or

12          (d) If he no longer possesses the qualifications specified in  
 13          Section 7 of this Act.

14          **SEC. 11. Meetings.** - The Monetary Board shall convene as  
 15          frequently as is necessary to discharge its responsibilities properly,  
 16          but shall meet at least once a week. The Board may be convoked  
 17          either by the Governor of the Bangko Sentral, or by at least four (4)  
 18          other members.

19          The presence of four (4) members shall constitute a quorum.

20          All decisions of the Monetary Board shall have the  
 21          concurrence of at least four (4) members, except in cases where the  
 22          provisions of other sections of this Act require a greater majority.



1           The Senior Deputy Governor shall attend the meetings of the  
 2 Monetary Board with the right to be heard but not to vote. The  
 3 Chairman of the Board may also require the attendance of other  
 4 officials of the Bangko Sentral to attend meetings of the Board,  
 5 whether regularly or as needed, but said officials similarly shall not  
 6 have the right to vote.

7           SEC. 12. *Remuneration.* – The provisions of any law to the  
 8 contrary notwithstanding, the salary of the Governor and of the  
 9 members of the Monetary Board from the private sector shall be  
 10 fixed by the Monetary Board with the approval of the Congress of  
 11 the Philippines at a sum commensurate to the importance and  
 12 responsibility attached to the position.

13           SEC. 13. *Withdrawal of Member Having a Personal Interest.*  
 14 – Whenever any member attending a meeting of the Monetary  
 15 Board has a personal interest, directly or indirectly, in the  
 16 discussion or resolution of any given matter, such member shall not  
 17 participate in the discussion or resolution of the matter and must  
 18 withdraw from the meeting during the deliberations thereon. The  
 19 minutes of the meeting shall note the fact that a member had a  
 20 personal interest in the subject matter, as well as the withdrawal of  
 21 the said member from the meeting.



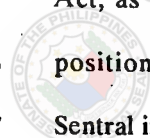


1           **SEC. 14. Exercise of Authority.** - In order to exercise the  
2 authority granted to it under this Act, the Monetary Board shall:

3           (a) Prepare and issue rules and regulations as it considers  
4 necessary for the effective discharge of the responsibilities and  
5 exercise of the powers assigned to the Monetary Board and to the  
6 Bangko Sentral under this Act. The rules and regulations issued  
7 shall be reported to the President and the Congress within fifteen  
8 (15) days from the date of their issuance;

9           (b) Direct the management, operations, and administration of  
10 the Bangko Sentral, and issue such internal rules and regulations as  
11 it may deem necessary or convenient for the efficient operations of  
12 the Bank;

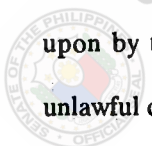
13           (c) Provide such organizational structure of the Bangko  
14 Sentral as it may deem necessary to achieve the objectives of this  
15 Act, as well as the exclusive and final authority to adopt the  
16 position and compensation plans for personnel of the Bangko  
17 Sentral in accordance with the provisions of applicable laws; appoint  
18 and fix the remunerations and other emoluments of personnel with  
19 the rank of department head or higher; reorganize its personnel  
20 whenever warranted, and provide separation benefits to those who  
21 may be separated from the service on account of such  
22 reorganization in addition to any retirement and other benefits



1 provided for under existing laws; and

2 (d) Adopt an annual budget for, and authorize such  
 3 expenditures by, the Bangko Sentral as are in the interest of the  
 4 effective administration and operations of the Bank in accordance  
 5 with applicable laws and regulations: *Provided*, That to ensure the  
 6 proper discharge of the responsibilities of the Bangko Sentral under  
 7 this Act, the Monetary Board may, under such terms and conditions  
 8 as it may prescribe, pay or reimburse such reasonable amount of  
 9 legal and other expenses that may be incurred for the defense of any  
 10 of its members or of any personnel of the Bangko Sentral, whether  
 11 during or after his incumbency, in connection with cases filed  
 12 against them for acts done or actions taken in the performance of  
 13 their duties and functions: *Provided, however*, That such legal  
 14 assistance shall cease to be available and/or allowed where the acts  
 15 committed or the actions taken have been determined and decided  
 16 upon by the court of competent jurisdiction as plainly arbitrary,  
 17 unlawful or in contravention of any rule or regulation.

18 SEC. 15. *Liability.* - Any member of the Monetary Board or  
 19 officer or employee of the Bangko Sentral who willfully violates this  
 20 Act or who is guilty of gross negligence in the performance of his  
 21 duties shall be held liable for any loss or injury suffered by the  
 22 Bank as a result of such violation or negligence.



1 The same liability shall be incurred with respect to:

2 (a) The disclosure of any information of a confidential nature,  
3 or any information on the discussions or resolutions of the  
4 Monetary Board, or about the confidential operations of the Bank,  
5 unless the disclosure is in connection with the performance of  
6 official functions with the Bank, or is with the prior authorization of  
7 the Monetary Board or the Governor; or

8 (b) To the use of such information for personal gain or to the  
9 detriment of the Government, the Bank or third parties.

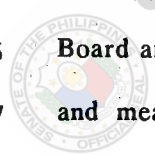
10 Article II - *The Governor and Deputy Governors and*  
11 *Operating Departments of the Bangko Sentral*

12 SEC. 16. *Powers and Duties of the Governor.* - The  
13 Governor shall be the chief executive of the Bangko Sentral. His  
14 powers and duties shall be:

15 (a) To prepare the agenda for the meetings of the Monetary  
16 Board and to submit for consideration of the Board the policies  
17 and measures which he believes to be necessary to discharge the  
18 responsibilities and accomplish the objectives of the Bangko Sentral  
19 under this Act;

20 (b) To execute and administer the policies and measures  
21 approved by the Monetary Board;

22 (c) To direct and supervise the operations and internal



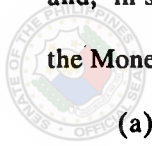
1 administration of the Bangko Sentral. The Governor may delegate  
 2 certain of his administrative responsibilities to other officers of the  
 3 Bank, subject to such rules and regulations as the Monetary Board  
 4 may prescribe;

5 (d) To appoint the personnel subject to the approval by the  
 6 Monetary Board, as well as to remove and impose disciplinary  
 7 measures upon personnel of the Bangko Sentral, subject to the  
 8 provisions of Section 21 of this Act: *Provided*, That removal of  
 9 personnel shall be with the approval of the Monetary Board; and

10 (e) To exercise such other powers as may be vested upon  
 11 him by the Monetary Board.

12 SEC. 17. *Representation of the Monetary Board and the*  
 13 *Bangko Sentral.* - The Governor of the Bangko Sentral shall be  
 14 the principal representative of the Monetary Board and of the Bank  
 15 and, in such capacity and in accordance with such instructions as  
 16 the Monetary Board may give, he shall be empowered:

17 (a) To represent the Monetary Board and the Bangko  
 18 Sentral in all dealings with other offices, agencies and  
 19 instrumentalities of the Government and with all other persons or  
 20 entities, public or private, whether domestic, foreign or  
 21 international;



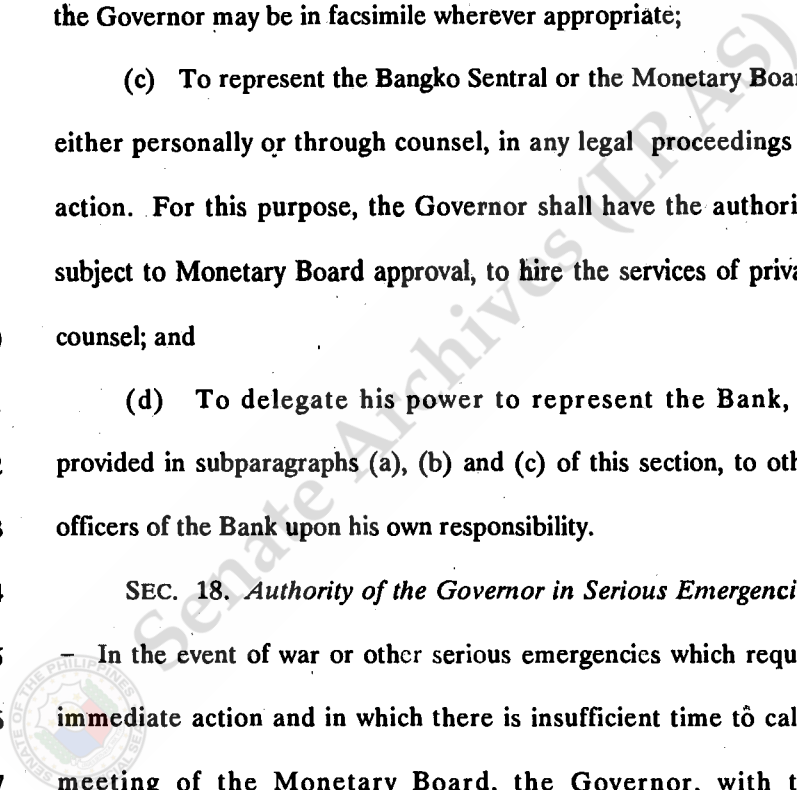
1           (b) To authorize, with his signature, contracts entered into  
2 by the Bangko Sentral, notes and securities issued by the Bank, and  
3 the annual reports, balance sheets, profit and loss statements,  
4 correspondence and other documents of the Bank. The signature of  
5 the Governor may be in facsimile wherever appropriate;

6           (c) To represent the Bangko Sentral or the Monetary Board,  
7 either personally or through counsel, in any legal proceedings or  
8 action. For this purpose, the Governor shall have the authority,  
9 subject to Monetary Board approval, to hire the services of private  
10 counsel; and

11           (d) To delegate his power to represent the Bank, as  
12 provided in subparagraphs (a), (b) and (c) of this section, to other  
13 officers of the Bank upon his own responsibility.

14           **SEC. 18. *Authority of the Governor in Serious Emergencies.***

15           – In the event of war or other serious emergencies which require  
16 immediate action and in which there is insufficient time to call a  
17 meeting of the Monetary Board, the Governor, with the  
18 concurrence of the economic or financial cabinet official or, in his  
19 absence, with the concurrence of any three (3) other members of  
20 the Monetary Board, may decide on any matter or take any action  
21 within the authority of the Board itself and may suspend any  
22 resolution or decision of the Board.

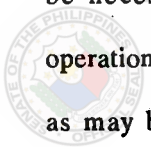


1           The Governor shall submit a report to the President and  
 2 Congress within seventy-two (72) hours after any such matter or  
 3 action has been decided or taken. Such report shall be made  
 4 public.

5           Furthermore, the Governor shall call a meeting of the  
 6 Monetary Board as soon as possible in order to explain his action  
 7 and the reasons for departing from normal procedures. The Board  
 8 may then confirm, revoke or modify such action as the  
 9 circumstances warrant.

10           SEC. 19. *The Senior Deputy Governor and Other Deputy*  
 11 *Governors.* - The Governor of the Bangko Sentral, with the  
 12 approval of, and in accordance with the position and compensation  
 13 plans approved by the Monetary Board, shall appoint a Senior  
 14 Deputy Governor and such number of Deputy Governors as may  
 15 be necessary for the effective administration and efficient  
 16 operations of the Bangko Sentral. They shall perform such duties  
 17 as may be assigned to them by the Monetary Board and the  
 18 Governor.

19           In the absence of the Governor, the Senior Deputy Governor  
 20 shall act as chief executive of the Bangko Sentral and shall exercise  
 21 the powers and duties of the Governor under this Act, including  
 22 attendance in meetings of government boards or councils and other



1 bodies where the Governor is an *ex officio* member pursuant to  
2 provisions of law. Where both the Governor and the Senior Deputy  
3 Governor are absent, the Deputy Governor designated by the  
4 Governor shall discharge the responsibilities and exercise the  
5 powers and duties mentioned in this paragraph except that of being  
6 Chairman of the Monetary Board, in which case, the remaining  
7 members of the Board shall choose from among themselves the  
8 member who shall act as Chairman during the absence of both the  
9 Governor and the Senior Deputy Governor.

10           SEC. 20. *Operating Departments and Regional Units of*  
11 *Bangko Sentral.* - The Monetary Board shall, in accordance with  
12 its authority under this Act, determine and provide for such  
13 operating departments and other offices of the Bangko Sentral as it  
14 deems convenient and necessary for the proper and efficient  
15 conduct of the operations and the accomplishment of the objectives  
16 of the Bangko Sentral under this Act. The functions and duties of  
17 such operating departments and other offices shall be determined  
18 by the Monetary Board.

19           In furtherance of its objectives under this Act, the Bangko  
20 Sentral may also establish regional units throughout the country  
21 that can provide immediate and direct services of the Bangko  
22 Sentral to the banking and business communities of the regional

1 areas, as well as act as effective liaison between the Bangko Sentral  
2 and the regional areas, and perform such other functions as may be  
3 assigned by the Monetary Board and the Governor.

4 SEC. 21. *Applicability of the Civil Service Law.* -

5 Appointments in the Bangko Sentral, except to positions which are  
6 policy-determining, primarily confidential or highly technical in  
7 nature, shall be made only according to the civil service law and  
8 rules: *Provided*, That, no qualification requirements for supervisory  
9 positions or higher in the Bangko Sentral shall be imposed other  
10 than those set by the Monetary Board. The imposition of  
11 disciplinary measures upon any officer or employee of the Bangko  
12 Sentral shall likewise be in accordance with the provisions of the  
13 civil service law and rules.

14 Officers and employees of the Bangko Sentral, including the  
15 members of the Monetary Board, shall not engage directly or  
16 indirectly in partisan activities or take part in any election except to  
17 vote.

18 SEC. 22. *Prohibitions.* - Personnel of the Bangko Sentral are  
19 hereby prohibited from:

20 (a) Being an officer, director, employee, consultant or  
21 stockholder, directly or indirectly, of any banking or other financial  
22 institution subject to supervision or examination by the Bangko



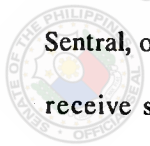
1 Sentral: *Provided*, That this prohibition shall not apply to non-stock  
 2 savings and loan associations and provident funds organized  
 3 exclusively for employees of the Bangko Sentral, and except as  
 4 otherwise provided in this Act;

5 (b) Directly or indirectly requesting or receiving any gift,  
 6 present or other pecuniary or material benefit, for himself or for  
 7 another, from any banking institution or other financial institution  
 8 which has pending official business with the personnel concerned, in  
 9 consideration for any action or assistance given or to be given; and

10 (c) Revealing in any manner, except under order of the court,  
 11 or under such conditions as may be prescribed by the Monetary  
 12 Board, information relating to the condition or business of the  
 13 institutions mentioned in subparagraph (a) of this section:

14 *Provided*, That this prohibition shall not apply to the giving of  
 15 information to the Monetary Board or the Governor of the Bangko  
 16 Sentral, or to any person authorized by either of them, in writing, to  
 17 receive such information: *Provided, furthermore*, That, in the  
 18 interest of efficient conduct of operations, the Governor of the  
 19 Bangko Sentral may authorize exchange of confidential information  
 20 between departments or units of the Bangko Sentral, the provisions  
 21 of any law to the contrary notwithstanding.

22 Data on individual firms or institutions other than those



1 mentioned in the next preceding paragraph, gathered by  
 2 departments or units of the Bangko Sentral, shall not be made  
 3 available to any person or entity outside of the Bangko Sentral  
 4 whether public or private except Congress or under order of the  
 5 court or under such conditions as may be prescribed by the  
 6 Monetary Board: *Provided, however,* That the collective data on  
 7 firms may be released to interested persons or entities.

8 Notwithstanding the provisions of this section and Section 8  
 9 of this Act, members of the Monetary Board and deputy governors  
 10 and other personnel of the Bangko Sentral may be designated by  
 11 the Monetary Board to become directors of any institution subject  
 12 to supervision or examination by the Bangko Sentral, and of any  
 13 entity related to such institution, in connection with financial  
 14 assistance extended by the Bangko Sentral to such institution and  
 15 when, in the opinion of the Monetary Board, it is appropriate to  
 16 make such designation to protect the interest of the Bangko Sentral.

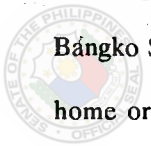
17 Borrowing by personnel of the supervising and examining  
 18 departments from any institution subject to supervision or  
 19 examination by the Bangko Sentral shall be prohibited with respect  
 20 to the particular institution in which they are assigned or are  
 21 conducting an examination: *Provided, however,* That any credit  
 22 union or cooperative composed of personnel of the supervising and



1 examining departments of the Bangko Sentral may borrow any time  
 2 from such institution, subject to Monetary Board approval, provided  
 3 that the loan is fully secured.

4 Personnel of other units of the Bangko Sentral shall likewise  
 5 be prohibited from borrowing from any financial institution during  
 6 the period of time that an application, request or any similar matter  
 7 of such institution is being evaluated, processed, or acted upon by  
 8 such personnel. Borrowing by all full-time Bangko Sentral  
 9 personnel from any institution subject to supervision or examination  
 10 by the Bangko Sentral shall be fully secured, fully disclosed to the  
 11 Monetary Board, and shall be subject to such further rules and  
 12 regulations as the Monetary Board may prescribe.

13 SEC. 23. *Training of Technical Personnel.* - The Bangko  
 14 Sentral shall promote and sponsor the training of technical  
 15 personnel in the field of money and banking. Toward this end, the  
 16 Bangko Sentral is hereby authorized to defray the costs of study, at  
 17 home or abroad, of qualified employees of the Bank, of promising  
 18 university graduates or of any other qualified persons who shall be  
 19 determined by proper competitive examinations. The Monetary  
 20 Board shall adopt its own rules and regulations to govern the  
 21 training program of the Bank.



Article III - *The Auditor*

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SEC. 24. *Representative of the Chairman, Commission on Audit.* - The Chairman of the Commission on Audit shall act as the *ex officio* Auditor of the Bangko Sentral and, as such, he is empowered and authorized to designate his representative who shall be the Auditor of the Bangko Sentral.

No relative of any member of the Monetary Board or the Chairman of the Commission on Audit within the fourth degree of consanguinity or affinity shall be appointed as such representative.

SEC. 25. *Personnel.* - The Chairman of the Commission on Audit shall also designate the number of personnel from the Commission who shall assist the Auditor of the Bangko Sentral: *Provided, however,* That the Auditor and personnel under him may be removed only by the Chairman of the Commission on Audit.

TITLE THREE - OPERATIONS OF THE  
BANGKO SENTRAL

Article I - *Economic Research*

SEC. 26. *Research and Statistics.* - The Bangko Sentral shall prepare data and conduct economic research for the guidance of the Monetary Board in the formulation and implementation of its policies. Such data shall include, among others, forecasts of the balance of payments of the Philippines, statistics on the monthly



1 movement of the money supply and of prices and other statistical  
2 series and economic studies useful for the formulation and analysis  
3 of monetary, banking, credit and exchange policies.

4 SEC. 27. *Authority to Obtain Data and Information.* - In  
5 pursuance of the provisions of the next preceding section, the  
6 Bangko Sentral shall have the authority to request from any person  
7 or entity, including Government offices and instrumentalities, any  
8 data which the Bangko Sentral may require for the proper discharge  
9 of its functions and responsibilities.

10 The Bangko Sentral shall have the power to issue a subpoena  
11 for the production of the books and records of all such persons and  
12 entities for the aforesaid purpose. Those who refuse the subpoena  
13 without justifiable cause, or who refuse to supply the Bank with data  
14 requested or required, shall be subject to punishment for  
15 contempt in accordance with the provisions of the rules of court.

16 Article II - *Administration of the Banking System*

17 A. *Supervision and Examination*

18 SEC. 28. *Authority over Banks and Financial Intermediaries.* -  
19 The Bangko Sentral shall assure the observance of the provisions of  
20 this Act and other pertinent laws, and of the rules and regulations  
21 issued by the Monetary Board in furtherance of the provisions of  
22 this Act. Towards this end, the Bangko Sentral shall have



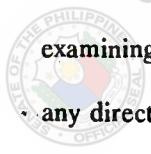
1 supervision over, and conduct periodic or special examinations of,  
 2 all banks and non-bank financial intermediaries performing quasi-  
 3 banking functions operating in the Philippines, including their  
 4 branches abroad: *Provided, That*, subsidiaries and affiliates of  
 5 banking institutions, as well as non-bank financial intermediaries,  
 6 and the subsidiaries and affiliates of non-bank financial  
 7 intermediaries performing quasi-banking functions may be subject  
 8 to special examination by the Bangko Sentral if the circumstances  
 9 so warrant as determined by the Monetary Board.

10 Every such institution shall afford to the head of the  
 11 appropriate supervising and examining departments and to his  
 12 authorized deputies or examiners full opportunity to examine its  
 13 books, cash and available assets and general condition at any time  
 14 when so requested, including, but not limited to, the electronic or  
 15 other records of deposit accounts or similar transactions in the  
 16 possession or custody of service bureaus contracted by said  
 17 institution to process the same: *Provided, That* none of the reports  
 18 and other papers relative to such examinations shall be open to  
 19 inspection by the public except insofar as such publicity is incidental  
 20 to the proceedings hereinafter authorized or is necessary for the  
 21 investigation and prosecution of violations in connection with the  
 22 business of such institutions.



1           For purposes of this section, a subsidiary means a corporation  
 2           more than fifty percent (50%) of the voting stock of which is owned  
 3           by a banking institution or non-bank financial intermediary, and an  
 4           affiliate means a corporation the voting stock of which, to the extent  
 5           of fifty percent (50%) or less, is owned by a banking institution or  
 6           non-bank financial intermediary, or which is related or linked to  
 7           such institution or intermediary through common stockholders or  
 8           such other factors as may be determined by the Monetary Board.  
 9           For purposes of this Act, non-bank financial intermediaries  
 10          performing quasi-banking functions are referred to in short as  
 11          quasi-banks, and whenever a bank or banking institution is referred  
 12          to in this Act, it shall be deemed to include quasi-banks, whenever  
 13          applicable.

14           SEC. 29. *Compulsory Process.* - Personnel of the Bangko  
 15          Sentral vested with the function and duty of supervising or  
 16          examining banking institutions are authorized to administer oaths to  
 17          any director, officer or employee of any institution which is subject  
 18          to their respective supervision or examination, and to compel the  
 19          presentation of all books, documents or records necessary in their  
 20          judgment to ascertain the facts relative to the true condition of the  
 21          institution, as well as the books, documents or records of persons or



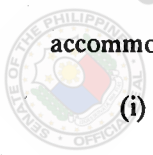
1 entities relative to or in connection with the operations, activities or  
2 transactions of the institution under examination.

3 The examination of banking institutions is vital to the  
4 maintenance of national economic stability; consequently, no  
5 injunction or restraining order shall be issued by a court enjoining  
6 the Bangko Sentral or any of its appropriate departments or  
7 examiners from discharging their mandated responsibility of  
8 examining any institution subject to supervision and examination by  
9 the Bangko Sentral. Any such institution which believes that its  
10 being subjected to examination is improper may appeal to the  
11 Monetary Board whose decision shall be subject to appeal before  
12 the courts.

13 SEC. 30. *Examination of Bank Deposits and Investments.* -

14 Any director, officer, or stockholder who, together with his related  
15 interests, has an outstanding loan or any form of financial  
16 accommodation from:

- 17 (i) his bank, or
- 18 (ii) from a bank (a) which is a subsidiary of a bank holding  
19 company of which both his bank and the lending bank are  
20 subsidiaries; or (b) in which a controlling proportion of the shares  
21 are owned by the same interests that own a controlling proportion  
22 of the shares of his bank, in excess of five percent (5%) of the

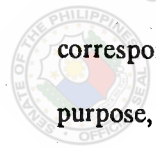




1 capital and surplus of the bank, or in the maximum amount  
 2 permitted by law, whichever is lower, shall be deemed to have  
 3 waived the secrecy of his deposits of whatever nature with banks  
 4 and banking institutions in the Philippines: *Provided*, That the use  
 5 of any information obtained thereby shall be subject to the  
 6 conditions prescribed in this section.

7 SEC. 31. *Frequency of Examination; Fees.* - It shall be the  
 8 duty of the head of the appropriate supervising and examining  
 9 department, personally or by deputy, at least once a year, and at  
 10 such other times as either he or the Monetary Board may deem  
 11 expedient, to make an examination of the books of every banking  
 12 institution within the purview of this Act and to make a report on  
 13 the same to the Monetary Board.

14 The institutions which are subject to examination shall  
 15 reimburse the Bangko Sentral for the cost of maintaining the  
 16 corresponding supervising and examining department and, for this  
 17 purpose, shall pay to the Bangko Sentral, within the first thirty (30)  
 18 days of each year, an annual fee equivalent to one-twelfth of one  
 19 percent (1/12 of 1%) of the institution average total assets during  
 20 the preceding year, as shown in its end-of-month balance sheets,  
 21 after deducting its cash on hand and amounts due from banks,  
 22 including the Bangko Sentral and banks abroad.

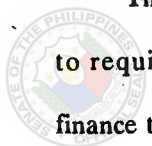


1 B. Selective Regulation of Bank Operations

2 SEC. 32. *Guiding Principle.* - The Monetary Board shall  
3 use the powers granted to it under this Act to ensure that the  
4 supply, availability and cost of money are in accord with the needs  
5 of the Philippine economy and that bank credit is not granted for  
6 speculative purposes prejudicial to the national interests.  
7 Regulations on bank operations shall be applied to all banks of the  
8 same category uniformly and without discrimination.

9 SEC. 33. *Margin Requirements Against Letters of Credit.* - In  
10 order to restrict the granting of bank credit for purposes which are  
11 contrary to the general welfare, the Monetary Board may at any  
12 time prescribe minimum cash margins for the opening of letters of  
13 credit, and may relate the size of the required margin to the nature  
14 of the transaction to be financed.

15 The Board may particularly use its powers under this section  
16 to require high margins for the opening of letters of credit to  
17 finance the importation of luxuries or other non-essential goods, or  
18 to finance any goods the importation of which at the time is  
19 considered by the Monetary Board to be unduly prompted by  
20 speculative motives prejudicial to the interests of the Philippine  
21 economy.

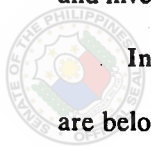


1           **SEC. 34. Required Security Against Bank Loans.** - In order  
 2 to promote liquidity and solvency of the banking system, or to  
 3 influence the availability of bank credit for specific purposes, the  
 4 Monetary Board may issue such regulations as it may deem  
 5 necessary from time to time with respect to the maximum  
 6 permissible maturities of the loans and investments which the banks  
 7 may make, and the kind and amount of security to be required  
 8 against the various types of credit operations of the banks.

9           **SEC. 35. Portfolio Ceilings.** - Whenever the Monetary  
 10 Board considers it advisable to prevent or check an expansion of  
 11 bank credit, the Board may place an upper limit on the amount of  
 12 loans and investments which the banks may hold, or may place a  
 13 limit on the rate of increase of such assets within specified periods  
 14 of time. The Monetary Board may apply such limits to the loans  
 15 and investments of each bank or to specific categories thereof.

16           In no case shall the Monetary Board establish limits which  
 17 are below the value of the loans or investments of the banks on the  
 18 date on which they are notified of such restrictions. The restrictions  
 19 shall be applied to all banks uniformly and without discrimination.

20           **SEC. 36. Minimum Capital Ratios.** - In order to regulate  
 21 the volume and distribution of bank credit, and to ensure the  
 22 maintenance of bank capital and surplus at levels adequate to

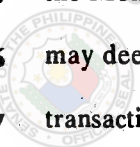


1 protect the depositors against risk of loss, the Monetary Board may  
 2 prescribe minimum ratios which the capital and surplus of the banks  
 3 must bear to the volume of their assets, or to specific categories  
 4 thereof, which may include contingent accounts, and may alter said  
 5 ratios whenever it deems it convenient to do so: *Provided, That,*  
 6 whenever deemed advisable, the Monetary Board may define the  
 7 composition of the capital and surplus of the banks.

8 C. Conservatorship, Receivership and Liquidation of Banks

9 SEC. 37. *Proceedings in Cases of Continuing Illiquidity.* -

10 Whenever, on the basis of a report submitted by the appropriate  
 11 supervising or examining department, the Monetary Board finds  
 12 that a bank or a quasi-bank is in a state of continuing illiquidity or  
 13 inability or unwillingness to maintain a condition of liquidity  
 14 deemed adequate to protect the interest of depositors and creditors,  
 15 the Monetary Board may, without prejudice to other actions as it  
 16 may deem proper, issue a cease-and-desist order on any act or  
 17 transaction established to be causing or leading to the institution's  
 18 continuing illiquidity. In such case, the pertinent provisions of  
 19 Section 111 of this Act shall apply. The Monetary Board shall  
 20 discuss and come to an agreement with the institution's Board of  
 21 Directors on the terms deemed necessary to restore the viability of  
 22 the institution. If no agreement is reached, or if any of the terms



1 agreed upon is violated, the Monetary Board may appoint a  
2 conservator who shall take charge of the assets, liabilities, and the  
3 management of institution, collect all monies and debts due said  
4 institution, and exercise all powers necessary to preserve the assets  
5 of the institution, reorganize the management thereof, and restore  
6 its viability to the extent possible. The conservator shall also have  
7 the power to overrule or revoke the actions of the previous  
8 management and Board of Directors of the bank or quasi-bank, any  
9 provision of law to the contrary notwithstanding, and such other  
10 powers as the Monetary Board shall deem necessary.

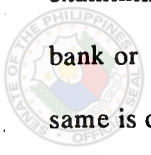
11 As much as practicable, the conservator should not be  
12 connected with the Bangko Sentral but should be competent and  
13 knowledgeable in bank operations and management. The  
14 remuneration of the conservator, which shall be fixed by the  
15 Monetary Board, and other expenses attendant to the  
16 conservatorship shall be borne by the bank or quasi-bank  
17 concerned. He shall report and be responsible to the Monetary  
18 Board until such time as the Monetary Board is satisfied that the  
19 institution can continue to operate on its own and the  
20 conservatorship is no longer necessary, in which case, the  
21 conservatorship shall be terminated. He shall make his reports  
22 available to the Philippine Deposit Insurance Corporation which

1 shall be kept fully informed of any significant development in the  
2 Bank during the conservatorship.

3 The conservatorship shall likewise be terminated should the  
4 Monetary Board, on the basis of the report of the conservator or of  
5 its own findings, determine that the continuance in business of the  
6 institution would involve probable loss to its depositors or creditors,  
7 in which case, the provisions of Section 38 shall apply.

8 Should the previous management or Board of Directors or  
9 any officer or employee of the institution commit any act as will  
10 impede, obstruct or prevent the conservator from exercising his  
11 powers as provided herein, the provisions of Sections 110 and 111  
12 of this Act shall apply.

13 SEC. 38. *Proceedings in Receivership.* - Whenever upon  
14 examination by the head of the appropriate supervising or  
15 examining department or his examiners into the condition of any  
16 bank or quasi-bank, it shall be disclosed that the condition of the  
17 same is one of insolvency, or that its continuance in business will  
18 involve probable loss to its depositors or creditors, or whenever the  
19 institution, or any of its directors, officers or employees has willfully  
20 violated a cease-and-desist order that has become final as provided  
21 in Section 111 of this Act, it shall be the duty of the department  
22 head concerned forthwith, in writing, to report such facts to the

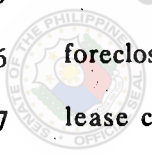


1 Monetary Board.

2 The Board may, upon finding the report to be true, proceed,  
 3 *ex parte* and without need of notice, hearing, or any other action, to  
 4 forbid the institution from doing business in the Philippines, place  
 5 it under receivership, and, in the case of a bank, designate the  
 6 Philippine Deposit Insurance Corporation as Receiver to  
 7 immediately take charge of its assets and liabilities and, as  
 8 expeditiously as possible, collect and gather all the assets and  
 9 administer the same for the benefit of its creditors. If the institution  
 10 is a quasi-bank, any person of recognized competence in banking or  
 11 finance may be designated as Receiver. During the period of  
 12 receivership, only the Receiver shall represent the institution,  
 13 personally or through counsel as he may retain, in all actions or  
 14 proceedings for or against the institution, exercising all the powers  
 15 necessary for these purposes including, but not limited to,  
 16 foreclosing mortgages in the name of the institution, terminating  
 17 lease contracts in accordance with law, and all that may be  
 18 warranted for the preservation and administration of the assets of  
 19 the institution.

20 Insolvency, under this Act, shall be understood to mean that:

- 21 (i) The realizable assets of a bank or a quasi-bank, as
- 22 determined by the Monetary Board, are insufficient to meet its



1 liabilities, or

2 (ii) The bank or quasi-bank, as the case may be, is unable to  
3 meet its debts as they become due, also as determined by the  
4 Monetary Board: *Provided, however,* That this shall not include  
5 inability to pay caused by extraordinary demands induced by  
6 financial panic in the banking community.

7 The Receiver shall determine, as soon as may be practicable,  
8 whether (a) the institution should be liquidated; or (b) the  
9 institution may be reorganized or otherwise placed in such a  
10 condition so that it may be permitted to resume business with  
11 safety to its depositors and creditors, taking into consideration the  
12 interest to the community to be served, the financial climate, and, in  
13 the case of banks, whether or not the course of action will entail the  
14 least cost to the Philippine Deposit Insurance Corporation as  
15 compared to an actual payoff and liquidation: *Provided,* That any  
16 determination involving resumption of operations of the institution,  
17 together with the terms and conditions thereof, shall be submitted  
18 to the Monetary Board for its approval.

19 The necessary expenses and fees in the collection and  
20 administration of the assets of the institution, including the fee of  
21 the Receiver, shall be determined by the Monetary Board and shall  
22 be paid out of the assets of such institution consistent with

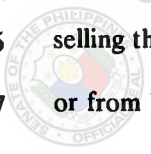




1     reasonableness.

2             **SEC. 39. *Proceedings in Liquidation.*** – If the Receiver shall  
3     determine that the bank or quasi-bank should be liquidated, the  
4     Receiver shall adopt a liquidation plan which may, when warranted,  
5     involve disposition of any or all of its assets in consideration for the  
6     assumption of equivalent liabilities of the institution. The  
7     determination to liquidate and the reasons therefor, as well as the  
8     liquidation plan, shall be submitted to the Monetary Board and, if  
9     both are approved, the Receiver shall then become the Liquidator  
10    and thereupon proceed with all convenient speed, and in accordance  
11    with the liquidation plan, to convert the assets of the banking  
12    institution or quasi-bank into money or sell, assign, or otherwise  
13    dispose of the same to creditors and other parties for the purpose of  
14    paying the debts of such institution. Nothing herein shall prevent  
15    the Liquidator, with the approval of the Monetary Board, from  
16    selling the assets, with assumption of liabilities, of the institution to,  
17    or from entering into possible merger with, any interested bank or  
18    financial institution, or from entering into a rehabilitation scheme  
19    with any interested party.

20             Should there be disputed claims against the institution that  
21    have to be adjudicated, or need for appropriate court process to  
22    preserve the assets of the institution or to implement the liquidation



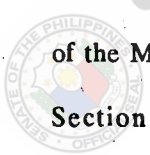
1 plan, the Liquidator may seek the assistance of an appropriate court  
2 for the purpose: *Provided, however,* That after having reasonably  
3 established all claims against the institution, the Liquidator may,  
4 with the approval of the Monetary Board, effect partial payments  
5 of such claims from the assets of the institution in accordance with  
6 their legal priority under existing laws. The appointment of a  
7 conservator under Section 37 of this Act is not a pre-condition to  
8 the appointment of a receiver or liquidator under this Act, and the  
9 authority to make such appointments shall be vested exclusively  
10 with the Monetary Board.

11 SEC. 40. *Assets and Liabilities of Closed Institutions; Authority*  
12 *to Institute Recovery Suits.* — All assets of an institution under  
13 receivership or liquidation, shall be deemed in *custodia legis* in the  
14 hands of the receiver or liquidator and shall, from the moment of  
15 such receivership or liquidation, be exempt from any order of  
16 garnishment, attachment, levy, execution or other similar processes.  
17 However, all liabilities and obligations of the institution shall,  
18 without prejudice to any compensatory arrangement that the  
19 receiver or liquidator may enter into with the creditors and  
20 depositors of the institution in accordance with law, continue to be  
21 governed by the terms of the contracts or agreements with the  
22 creditors and depositors of the institution, including, but not

1 necessarily limited to, the collection of interest on the receivables of  
 2 such creditors and depositors from the institution accruing during  
 3 the period of its closure.

4 The receiver or liquidator under Sections 38 and 39 may  
 5 institute in the name of the bank or quasi-bank, as the case may be,  
 6 and with the assistance of counsel as he may retain, such actions or  
 7 proceedings as may be necessary to collect or recover accounts and  
 8 assets of the institution, or defend any action filed against the  
 9 institution, or recover damages suffered by the institution against  
 10 any of its stockholders, directors, officers, employees, agents, and  
 11 other persons participating in the conduct of the affairs of the  
 12 institution, whose actions have proximately caused or contributed to  
 13 the losses suffered by the institution. Such civil action may proceed  
 14 independently of any criminal action on the same cause.

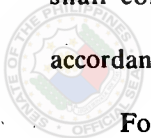
15 SEC. 41. *Finality of Monetary Board Action.* - The actions  
 16 of the Monetary Board in the appointment of a conservator under  
 17 Section 37, as well as in the placing of an institution under  
 18 receivership or liquidation under Sections 38 and 39 of this Act,  
 19 shall be deemed final and executory: *Provided, however,* That the  
 20 stockholders of record representing the majority of the subscribed  
 21 capital stock of the institution may appeal the action taken by the  
 22 Monetary Board on the ground that such action was a grave abuse



1 of discretion for being plainly arbitrary by filing with said Board a  
 2 notice of appeal, and with the Supreme Court a verified petition for  
 3 *certiorari* or review of such action and proof of service thereof shall  
 4 be attached to the original of the petition. The petition, which shall  
 5 be filed within a period of ten (10) days from the date the  
 6 institution is placed under receivership or liquidation, as the case  
 7 may be, or, in case of conservatorship, within ten (10) days from  
 8 receipt of notice by the Chairman of the Board of Directors of the  
 9 said institution of the order of its placement under conservatorship,  
 10 shall contain a memorandum of argumentation and documents in  
 11 support of the petition, on the basis of which the court may either  
 12 give due course to, or dismiss outright, the petition: *Provided,*  
 13 That notwithstanding such appeal and until the same is finally  
 14 resolved, the conservator, receiver or liquidator, as the case may be,  
 15 shall continue to discharge his duties and responsibilities in  
 16 accordance with law.

17 For purposes of this section, an action is deemed to be plainly  
 18 arbitrary when the same is patently without factual basis or is not  
 19 supported by law, rule or regulation, or by any evidence, whether  
 20 documentary or otherwise.

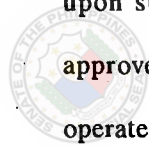
21 SEC. 42. *Disposition of Assets, Revenues and Fees in*  
 22 *Liquidation.* - In case of liquidation of a bank or quasi-bank, after



1 payment of the costs of the proceedings, including such liquidation  
 2 fees and reasonable expenses incurred in the liquidation as may be  
 3 approved by the Monetary Board, the liquidator shall pay the debts  
 4 of such institution, in accordance with legal priority under existing  
 5 laws.

6 Revenues and fees earned by the liquidator in winding up the  
 7 affairs and administering the assets of any bank or quasi-bank  
 8 within the purview of this Act shall be used to pay the salaries of  
 9 such personnel whose employment is rendered necessary in the  
 10 discharge of the liquidation, together with other additional expenses  
 11 caused thereby. The balance of revenues and fees earned, after the  
 12 payment of all expenses, shall be for the account of the liquidator.

13 SEC. 43. *Disposition of Banking Franchise.* - The Bangko  
 14 Sentral may, if public interest so requires, award to an institution,  
 15 upon such terms and conditions as the Monetary Board may  
 16 approve, the banking franchise of a bank under liquidation to  
 17 operate in the area where said bank or its branches were previously  
 18 operating: *Provided,* That whatever proceeds may be realized from  
 19 such award shall be subject to the appropriate disposition of the  
 20 Monetary Board.



1 Article III - *Issue Power, Means of Payment and*  
 2 *Monetary Value of the Philippine Currency*

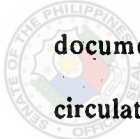
3 SEC. 44. *Definition of Currency.* - The word "currency" is  
 4 hereby defined, for the purposes of this Act, as meaning all  
 5 Philippine notes and coins issued or circulating in accordance with  
 6 the provisions of this Act.

7 SEC. 45. *Unit of Monetary Value.* - The unit of monetary  
 8 value in the Philippines is the "peso", which is represented by the  
 9 sign "P."

10 The peso is divided into one hundred equal parts called  
 11 "centavo," which are represented by the sign "¢."

12 SEC. 46. *Exclusive Issue Power.* - The Bangko Sentral shall  
 13 have the sole power and authority to issue currency within the  
 14 territory of the Philippines. No other person or entity, public or  
 15 private, may put into circulation notes, coins or any other object or  
 16 document which, in the opinion of the Monetary Board, might  
 17 circulate as currency, nor reproduce or imitate the facsimiles of  
 18 Bangko Sentral notes without prior authority from the Bank.

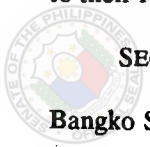
19 The Monetary Board may issue such regulations as it may  
 20 deem advisable in order to prevent the circulation of foreign  
 21 currency or of currency substitutes as well as to prevent the  
 22 reproduction of facsimiles of Bangko Sentral notes.



1           SEC. 47. *Characteristics of the Currency.* – The Monetary  
 2 Board, with the approval of the President, shall prescribe the  
 3 denominations, dimensions, designs, inscriptions and other  
 4 characteristics of notes issued by the Bangko Sentral: *Provided,*  
 5 *however,* That said notes shall state that they are liabilities of the  
 6 Bangko Sentral and are fully guaranteed by the Government of the  
 7 Republic of the Philippines. Said notes shall bear the signatures, in  
 8 facsimile, of the President of the Philippines and of the Governor of  
 9 the Bangko Sentral.

10           Similarly, the Monetary Board, with the approval of the  
 11 President of the Philippines, shall prescribe the weight, fineness,  
 12 designs, denominations and other characteristics of the coins issued  
 13 by the Bangko Sentral. In the minting of coins, the Monetary Board  
 14 shall give full consideration to the availability of suitable metals and  
 15 to their relative prices and cost of minting.

16           SEC. 48. *Legal Tender.* – All notes and coins issued by the  
 17 Bangko Sentral shall be fully guaranteed by the Government of the  
 18 Republic of the Philippines and shall be legal tender in the  
 19 Philippines for all debts, both public and private: *Provided, however,*  
 20 That, unless otherwise fixed by the Monetary Board, coins shall be  
 21 legal tender in amounts not exceeding Fifty pesos (₱50.00) for  
 22 denominations of Twenty-five centavos (₱0.25) and above, and in



1 amounts not exceeding Twenty pesos (P20.00) for denominations  
2 of Ten centavos (P0.10) or less.

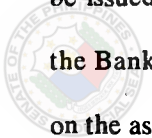
3 SEC. 49. *Printing of Notes and Minting of Coins.* - The  
4 Monetary Board shall prescribe the amounts of notes and coins to  
5 be printed and minted, respectively, and the conditions to which the  
6 printing of notes and the minting of coins shall be subject. The  
7 Bangko Sentral shall operate its own printing plant and mint but,  
8 when warranted by circumstances, the Monetary Board shall have  
9 the authority to contract institutions, mints or firms for such  
10 operations.

11 All expenses incurred in the printing of notes and the minting  
12 of coins shall be for the account of the Bangko Sentral.

13 SEC. 50. *Liability for Notes and Coins.* - Notes and coins  
14 issued by the Bangko Sentral shall be liabilities of the Bank and may  
15 be issued only against, and in amounts not exceeding, the assets of  
16 the Bank. Said notes and coins shall be a first and paramount lien  
17 on the assets of the Bangko Sentral.

18 The Bangko Sentral's holdings of its own notes and coins shall  
19 not be considered as part of its currency issue and, accordingly, shall  
20 not form part of the assets or liabilities of the Bank.

21 SEC. 51. *Interconvertibility of Currency.* - The Bangko  
22 Sentral shall exchange, on demand and without charge, Philippine

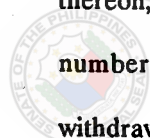




1 currency of any denomination for Philippine notes and coins of any  
 2 other denomination requested. If, for any reason, the Bangko  
 3 Sentral is temporarily unable to provide notes or coins of the  
 4 denominations requested, it shall meet its obligations by delivering  
 5 notes and coins of the denominations which most nearly  
 6 approximate those requested.

7           **SEC. 52. Replacement of Currency.** - The Bangko Sentral  
 8 shall withdraw from circulation and shall demonetize all notes and  
 9 coins which for any reason whatsoever are unfit for circulation and  
 10 shall replace them by adequate notes and coins: *Provided, however,*  
 11 That the Bangko Sentral shall not replace notes and coins the  
 12 identification of which is impossible, coins which show signs of  
 13 filing, clipping or perforation, and notes which have lost more than  
 14 two-fifths (2/5) of their surface or all of the signatures inscribed  
 15 thereon, or which do not bear at least one complete set of the serial  
 16 numbers. Notes and coins in such mutilated condition shall be  
 17 withdrawn from circulation and demonetized without compensation  
 18 to the bearer.

19           **SEC. 53. Retirement of Old Notes and Coins.** - The Bangko  
 20 Sentral may call in for replacement notes of any series or  
 21 denomination which are more than five (5) years old and coins  
 22 which are more than ten (10) years old. Notes and coins called in



1 for replacement in accordance with this provision shall remain legal  
2 tender for a period of one (1) year from the date of call. After this  
3 period, they shall cease to be legal tender but during the following  
4 year, or for such longer period as the Monetary Board may  
5 determine, they may be exchanged at par and without charge in the  
6 Bangko Sentral, and by banks duly authorized by the Bangko  
7 Sentral for the purpose. After the expiration of this latter period,  
8 the notes and coins which have been called in and replaced, as well  
9 as those which have not been exchanged, shall cease to be a liability  
10 of the Bangko Sentral and shall be deemed demonetized.

11 **SEC. 54. Demand Deposit.** - Only banks duly authorized to  
12 do so may accept funds or create liabilities payable upon demand by  
13 the presentation of checks, and such operations shall be subject to  
14 regulation by the Monetary Board. Such deposit liabilities shall be  
15 known as demand deposit accounts.

16 **SEC. 55. Legal Character of Demand Deposit.** - Checks  
17 representing demand deposit are not legal tender and their  
18 acceptance in the payment of debts, both public and private, is at  
19 the option of the creditor: *Provided, however,* That a check which  
20 has been cleared and credited to the account of the creditor shall be  
21 equivalent to a delivery to the creditor of cash in an amount equal  
22 to the amount credited to his account.

1 Article IV - Administration of the Monetary System

2 A. Guiding Principles and Means of Action

3 SEC. 56. Domestic Monetary Stabilization. - The Monetary  
4 Board shall endeavor to control any expansion or contraction in the  
5 money supply, in the level of credit, or any rise or fall in prices. The  
6 Monetary Board shall give due regard to their effects on the  
7 availability and cost of money and credit to particular sectors of the  
8 economy, as well as to the economy as a whole, and their effects on  
9 the relationship of domestic prices and costs to world prices and  
10 costs.

11 The discounts, rediscounts, loans and advances which the  
12 Bangko Sentral is authorized to extend to banking institutions under  
13 the provisions of this article shall be used to regulate the volume,  
14 cost availability and character of bank credit and to provide the  
15 banking system with liquid funds in times of need.

16 Conversely, whenever the national monetary policy requires  
17 an expansion of the money supply, the Bangko Sentral shall make  
18 full use of the credit operations authorized under the present  
19 Article of this Act.

20 SEC. 57. Authority to Define Terms. - For the purposes of  
21 the present article, the Monetary Board shall formulate definitions  
22 of money supply, credit and prices; and, whenever the need arises,

1 change these definitions but not oftener than once every twelve (12)  
 2 months and such definitions as well as any changes thereof shall be  
 3 made public. The statistics prepared by the Bangko Sentral on  
 4 money supply, credit and prices shall be based on these definitions  
 5 to the extent that available data permit.

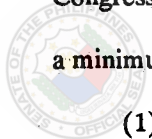
6 SEC. 58. *Action When Abnormal Movements Occur in the*  
 7 *Money Supply, Credit, or Price Level.* - Whenever abnormal  
 8 movements in the money supply, in credit, or in prices endanger the  
 9 stability of the Philippine economy or important sectors thereof, the  
 10 Monetary Board shall:

11 (a) Take such remedial measures as are appropriate and  
 12 within the powers granted to the Monetary Board and the Bangko  
 13 Sentral under the provisions of this Act; and

14 (b) Submit to the President of the Philippines and the  
 15 Congress, and make public, a detailed report which shall include, as  
 16 a minimum, a description and analysis of:

17 (1) The causes of the rise or fall of the money supply, of  
 18 credit or of prices;

19 (2) The extent to which the changes in the money supply, in  
 20 credit, or in prices have been reflected in changes in the level of  
 21 domestic output, employment, wages and economic activity in  
 22 general, and the nature and significance of any such changes; and

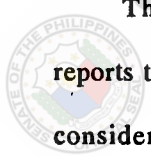


1           (3) The measures which the Monetary Board has taken and  
 2 the other monetary, fiscal or administrative measures which it  
 3 recommends to be adopted.

4           Whenever the money supply, or the level of credit, increases  
 5 or decreases by more than fifteen percent (15%), or the cost of  
 6 living index increases by more than ten percent (10%), in relation to  
 7 the level existing at the end of the corresponding month of the  
 8 preceding year, or even though any of these quantitative guidelines  
 9 have not been reached when in its judgment the circumstances so  
 10 warrant, the Monetary Board shall submit the reports mentioned in  
 11 this section, and shall state therein whether, in the opinion of the  
 12 Board, said changes in the money supply, credit or cost of living  
 13 represent a threat to the stability of the Philippine economy or of  
 14 important sectors thereof.

15           The Monetary Board shall continue to submit periodic  
 16 reports to the President of the Philippines and to Congress until it  
 17 considers that the monetary, credit or price disturbances have  
 18 disappeared or have been adequately controlled.

19           SEC. 59. *International Monetary Stabilization.* - The Bangko  
 20 Sentral shall exercise its powers under this Act to preserve the  
 21 international value of the peso and to maintain its convertibility into  
 22 other freely convertible currencies primarily for, although not



1 necessarily limited to, current payments for foreign trade and  
2 invisibles.

3       **SEC. 60. *International Reserve.*** – In order to maintain the  
4 international stability and convertibility of the Philippine peso, the  
5 Bangko Sentral shall maintain an international reserve adequate to  
6 meet any foreseeable net demands on the Bank for foreign  
7 currencies.

8       In judging the adequacy of the international reserve, the  
9 Monetary Board shall be guided by the prospective receipts and  
10 payments of foreign exchange by the Philippines. The Board shall  
11 consider the volume and maturity of the Bangko Sentral's own  
12 liabilities in foreign currencies and to the volume and maturity of  
13 the foreign exchange assets and liabilities of other banks operating  
14 in the Philippines and, insofar as they are known or can be  
15 estimated, the volume and maturity of the foreign exchange assets  
16 and liabilities of all other persons and entities in the Philippines.

17       **SEC. 61. *Composition of the International Reserve.*** – The  
18 international reserve of the Bangko Sentral may include the  
19 following assets:

20       (a) Gold; and

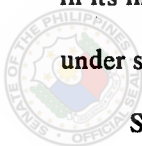
21       (b) Assets in foreign currencies in the form of: documents  
22 and instruments of types customarily employed for the international

1 transfer of funds; demand and time deposits in central banks,  
 2 treasuries and commercial banks abroad; readily marketable foreign  
 3 government securities; foreign notes and coins; and holdings of  
 4 special drawings rights.

5 The Monetary Board shall endeavor to hold the foreign  
 6 exchange resources of the Bangko Sentral in freely convertible  
 7 currencies, and give particular consideration to the prospects of  
 8 continued strength and convertibility of the currencies in which the  
 9 reserve is maintained, as well as to the anticipated demands for such  
 10 currencies. The Monetary Board shall issue regulations  
 11 determining the other qualifications which foreign exchange assets  
 12 must meet in order to be included in the international reserve of the  
 13 Bangko Sentral.

14 The Bangko Sentral shall be free to convert any of the assets  
 15 in its international reserve into any other asset of a type included  
 16 under subparagraphs (a) and (b) of this section.

17 SEC. 62. *Action when the International Stability of the Peso is*  
 18 *Threatened.* - Whenever the international reserve of the Bangko  
 19 Sentral falls to a level which the Monetary Board considers  
 20 inadequate to meet the prospective net demands on the Bangko  
 21 Sentral for foreign currencies, or whenever the international reserve  
 22 appears to be in imminent danger of falling to such a level, or



1 whenever the international reserve is falling as a result of payments  
 2 or remittances abroad which, in the opinion of the Monetary Board,  
 3 are contrary to the national welfare, the Monetary Board shall:

4 (a) Take such remedial measures as are appropriate and  
 5 within the powers granted to the Monetary Board and the Bangko  
 6 Sentral under the provisions of this Act; and

7 (b) Submit to the President of the Philippines and to  
 8 Congress a detailed report which shall include, as a minimum, a  
 9 description and analysis of:

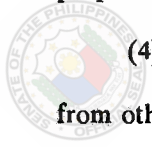
10 (1) The nature and causes of the existing or imminent  
 11 decline;

12 (2) The remedial measures already taken or to be taken by  
 13 the Monetary Board;

14 (3) The monetary, fiscal or administrative measures further  
 15 proposed; and

16 (4) The character and extent of the cooperation required  
 17 from other government agencies for the successful execution of the  
 18 policies of the Monetary Board.

19 If the resultant actions fail to check the deterioration of the  
 20 reserve position of the Bangko Sentral, or if the deterioration  
 21 cannot be checked except by chronic restrictions on exchange and  
 22 trade transactions or by sacrifice of the domestic objectives of a





1 balanced and sustainable growth of the economy, the Monetary  
 2 Board shall propose to the President, with appropriate notice to  
 3 Congress, such additional action as it deems necessary to restore  
 4 equilibrium in the international balance of payments of the  
 5 Philippines.

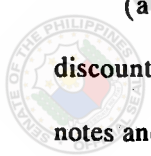
6 The Monetary Board shall submit periodic reports to the  
 7 President and to Congress until the threat to the international  
 8 monetary stability of the Philippines has disappeared.

9 B. Credit Operations

10 SEC. 63. *Regular Credit Operations.* - Subject to the  
 11 principles stated in the preceding sections under this article, the  
 12 Bangko Sentral may normally and regularly carry on the following  
 13 credit operations with banking institutions operating in the  
 14 Philippines:

15 (a) Commercial Credits - The Bangko Sentral may  
 16 discount, rediscount, buy and sell bills, acceptances, promissory  
 17 notes and other credit instruments with maturities of not more than  
 18 one hundred eighty (180) days from the date of their discount,  
 19 rediscount, or acquisition by the Bangko Sentral and resulting from  
 20 transactions related to:

21 (1) The importation, exportation, purchase or sale of readily  
 22 saleable goods and products, or their transportation within the

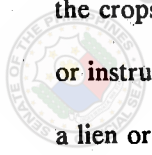


1     **Philippines; and**

2             **(2) The storing of nonperishable goods and products which**  
3     **are duly insured and deposited, under conditions assuring their**  
4     **preservation, in authorized bonded warehouses or in other places**  
5     **approved by the Monetary Board.**

6             **(b) Production Credits - The Bangko Sentral may**  
7     **discount, rediscount, or buy and sell bills, acceptances, promissory**  
8     **notes and other credit instruments having maturities of not more**  
9     **than three hundred sixty (360) days from the date of their discount,**  
10    **rediscount, or acquisition by the Bangko Sentral and resulting from**  
11    **transactions related to the production or processing of agricultural,**  
12    **animal, mineral, or industrial products. Documents or instruments**  
13    **acquired in accordance with this subparagraph shall be secured by a**  
14    **pledge of the respective crops or products: *Provided, however,* That**  
15    **the crops or products need not be pledged to secure the documents**  
16    **or instruments if the original loan granted by the Bank is secured by**  
17    **a lien or mortgage on real estate property seventy percent (70%) of**  
18    **the appraised value of which equals or exceeds the amount of the**  
19    **loan granted;**

20            **(c) Other Credits - Other credit instruments not falling**  
21    **within the context of the immediately preceding subparagraphs (a)**  
22    **and (b), may be eligible for discounting, rediscounting or acquisition**



1 in accordance with rules and regulations as the Monetary Board  
2 may prescribe. Whenever necessary, the Bangko Sentral shall  
3 provide funds from non-inflationary sources: *Provided, however,*  
4 That the Monetary Board shall prescribe additional safeguards for  
5 disbursing said funds;

6 (d) Advances – The Bangko Sentral may grant advances  
7 against the following kinds of collaterals for fixed periods which,  
8 with the exception of advances against the collateral mentioned in  
9 clause (4) hereunder, shall not exceed one hundred eighty (180)  
10 days:

11 (1) Gold coins or bullions;

12 (2) Securities representing obligations of the Bangko Sentral  
13 or of other domestic credit institutions of recognized solvency;

14 (3) The credit instruments to which reference is made in  
15 subsection (a) of this section;

16 (4) The credit instruments to which reference is made in  
17 subsection (b) of this section, for periods which shall not exceed  
18 three hundred sixty (360) days;

19 (5) Utilized portions of advances in current account covered  
20 by regular overdraft agreements related to operations included  
21 under subparagraphs (a) and (b) of this section, and certified as to  
22 amount and liquidity by the institution soliciting the advance;

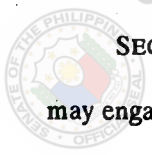
1           (6) Negotiable treasury bills, certificates of indebtedness,  
 2 notes and other negotiable obligations of the Government maturing  
 3 within three (3) years from the date of the advance; and

4           (7) Negotiable bonds issued by the Government of the  
 5 Philippines, by Philippine provincial, city or municipal governments,  
 6 or by any Philippine Government instrumentality, and having  
 7 maturities of not more than ten (10) years from the date of the  
 8 advance.

9           Advances made against the collateral named in clauses (6)  
 10 and (7) shall not exceed eighty percent (80%) of the current market  
 11 value of the collateral.

12           SEC. 64. *Renewal.* - The discounts, rediscounts, loans and  
 13 advances made in accordance with the provisions of the next  
 14 preceding section may not be renewed or extended unless  
 15 extraordinary circumstances fully justify such renewal or extension.

16           SEC. 65. *Special Credit Operations.* - The Bangko Sentral  
 17 may engage in special credit operations under special circumstances  
 18 in which the Monetary Board considers it advisable to promote or  
 19 facilitate the lending operations, or certain classes thereof, of  
 20 banking institutions engaged in long-term financing, the Bangko  
 21 Sentral may grant loans or advances to said institutions against  
 22 pledge or assignment of payments, installments or amortizations of

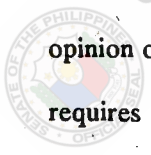


1 their borrowers. The Monetary Board shall prescribe the loan  
 2 value on applications for loans or advances based on the payments,  
 3 installments or amortizations pledged or assigned: *Provided,*  
 4 *however,* That the Bangko Sentral shall finance said loans from non-  
 5 inflationary sources and shall establish additional safeguards as it  
 6 deems proper: *Provided, further,* That such loans and advances may  
 7 be secured by other assets which are defined as acceptable security  
 8 by a concurrent vote of at least five (5) members of the Monetary  
 9 Board.

10 SEC. 66. *Loans for Liquidity Purposes.* - The Bangko Sentral  
 11 may extend loans and advances to banking institutions for a period  
 12 of not more than seven (7) days without any collateral for the  
 13 purpose of providing the banking system with liquid funds in times  
 14 of need and influencing interest rate levels.

15 SEC. 67. *Extension of Maturities.* - Whenever, in the  
 16 opinion of the Monetary Board, a deflationary situation exists which  
 17 requires special expansionary credit measures, the Bangko Sentral  
 18 may extend the maximum maturities of new credit operations  
 19 granted under the provisions of subsections (a), (b), (c), and (d) of  
 20 Section 63 to periods not exceeding one (1) year.

21 SEC. 68. *Emergency Credit Operations.* - In periods of  
 22 national and/or local emergency or of imminent financial panic



1 which directly threaten monetary and banking stability, the  
 2 Monetary Board may, with the concurrent vote of at least five (5) of  
 3 its members, authorize the Bangko Sentral to grant extraordinary  
 4 loans or advances to banking institutions secured by assets as  
 5 defined hereunder: *Provided*, That while such loans or advances are  
 6 outstanding, the debtor institution shall not, except with prior  
 7 authorization of the Monetary Board, expand the total volume of its  
 8 loans or investments.

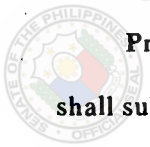
9 The Monetary Board may, at its discretion, likewise authorize  
 10 the Bangko Sentral to grant emergency loans or advances to  
 11 banking institutions, even during normal periods, for the purpose of  
 12 assisting a bank in a precarious financial condition or under serious  
 13 financial pressures brought by unforeseen events, or events which,  
 14 though foreseeable, could not be prevented by the bank concerned:  
 15 *Provided, however*, That the Monetary Board has ascertained that  
 16 the bank is not insolvent and has the assets defined hereunder to  
 17 secure the advances: *Provided, further*, That a concurrent vote of at  
 18 least five (5) members of the Monetary Board is obtained.

19 The amount of any emergency loan or advance shall not  
 20 exceed the sum of fifty percent (50%) of total deposits and deposit  
 21 substitutes of the banking institution and shall be disbursed in two  
 22 (2) or more tranches. The amount of the first tranche shall be



1 limited to twenty-five percent (25%) of the total deposit and deposit  
 2 substitutes of the institution and shall be secured by government  
 3 securities to the extent of their applicable loan values and other  
 4 unencumbered first-class collaterals which the Monetary Board may  
 5 approve: *Provided*, That if as determined by the Monetary Board,  
 6 the circumstances surrounding the emergency warrant a loan or  
 7 advance greater than the amount provided hereinabove, the amount  
 8 of the first tranche may exceed twenty-five percent (25%) of the  
 9 bank's total deposit and deposit substitutes if the same are  
 10 adequately secured by applicable loan values of government  
 11 securities and unencumbered first-class collaterals approved by the  
 12 Monetary Board, and the principal stockholders of the institution  
 13 furnish an acceptable undertaking to indemnify and hold harmless  
 14 from suit a conservator whose appointment the Monetary Board  
 15 may find necessary at any time.

16 Prior to release of the first tranche, the banking institution  
 17 shall submit to the Bangko Sentral a resolution of its Board of  
 18 Directors authorizing the Bangko Sentral to evaluate other assets of  
 19 the banking institution certified by its external auditor to be good  
 20 and available for collateral purposes should the release of any  
 21 subsequent tranches be thereafter applied for.



1           The Monetary Board may, by a concurrent vote of at least  
2 five (5) of its members, authorize the release of a subsequent  
3 tranche on condition that the principal stockholders of the  
4 institution: (i) furnish an acceptable undertaking to indemnify and  
5 hold harmless from suit a conservator whose appointment the  
6 Monetary Board may find necessary at any time; and (ii) provide  
7 acceptable security which, in the judgment of the Monetary Board,  
8 would be adequate to supplement, where necessary, the assets  
9 tendered by the banking institution to collateralize the subsequent  
10 tranche.

11           In connection with exercise of these powers, the prohibitions  
12 in Section 71 of this Act shall not apply insofar as it refers to  
13 acceptance of readily marketable shares as collateral and their  
14 acquisition as a result of foreclosure proceedings, including the  
15 exercise of voting rights pertaining to said shares: *Provided,*  
16 *however,* That should the Bangko Sentral acquire any of the shares  
17 it has accepted as collateral as a result of foreclosure proceedings,  
18 the Bangko Sentral shall dispose of said shares to the public within  
19 one (1) year from the date of consolidation of title by the Bangko  
20 Sentral.

21           Whenever a financial institution or the Government incurs an  
22 overdraft in its account with the Bangko Sentral, the same shall be

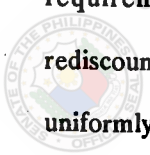


1 eliminated within the period prescribed in this Act. The overdraft  
 2 may be converted into an emergency loan or advance and shall be  
 3 governed by the provisions of this section in the case of banking  
 4 institutions, or converted into a provisional advance and shall be  
 5 governed by the provisions of Section 70 of this Act in the case of  
 6 the Government.

7 SEC. 69. *Credit Terms.* - (a) Interest and Rediscount Rates  
 8 - The Bangko Sentral shall collect interest and other appropriate  
 9 charges in all the loans and advances it extends.

10 The Monetary Board shall fix the interest and rediscount  
 11 rates to be charged by the Bangko Sentral on its credit operations in  
 12 accordance with the character and term of the operation but after  
 13 due consideration has been given to the credit needs of the market,  
 14 the composition of the Bangko Sentral's portfolio, and the general  
 15 requirements of the national monetary policy. Interest and  
 16 rediscount rates shall be applied to all banks of the same category  
 17 uniformly and without discrimination.

18 (b) Endorsement - The documents discounted,  
 19 rediscounted, bought, or accepted as collateral by the Bangko  
 20 Sentral in the course of the credit operations authorized in this  
 21 article shall bear the endorsement of the institution from which they  
 22 are received.



1           (c) Repayment of Credits - Documents discounted,  
2           rediscounted, or accepted as collateral by the Bangko Sentral shall  
3           be withdrawn by the borrowing institution on the dates of their  
4           maturities, or upon liquidation of the obligations which they  
5           represent or to which they relate whenever said obligations have  
6           been liquidated prior to their dates of maturity.

7           Banks shall have the right at any time to withdraw any  
8           documents which they have presented to the Bangko Sentral as  
9           collateral, upon payment in full of the corresponding obligation to  
10          the Bangko Sentral, including interest charges.

11          (d) Other Requirements - The Monetary Board may  
12          prescribe, within the general powers granted to it under this Act,  
13          additional conditions which borrowing institutions must satisfy in  
14          order to have access to the credit of the Bangko Sentral. These  
15          conditions may refer to the rates of interest charged by the banks, to  
16          the purposes for which their loans in general are destined, and to  
17          any other clearly definable aspect of the credit policy of the bank.

18          SEC. 70. *Provisional Advances to the Government.* - The  
19          Bangko Sentral may make direct provisional advances to the  
20          Government or to any of its political subdivisions to finance  
21          expenditures authorized in the annual appropriation of the  
22          borrowing entity: *Provided, That said advances shall be repaid*

1 before the end of the first quarter following the end of the fiscal  
2 year of the Government or political subdivision and shall not, in  
3 their aggregate, exceed ten percent (10%) of the average annual  
4 income of the borrower for the last three (3) preceding fiscal years.

5 **SEC. 71. Prohibitions.** - Except as provided in Section 68 of  
6 this Act, the Bangko Sentral shall not (1) acquire shares of any kind  
7 or accept them as collateral, and shall not participate in the  
8 ownership or management of any enterprise, whether directly or  
9 indirectly, except as a consequence of loans granted under Section  
10 68 hereof, and (2) purchase or retain ownership of real estate  
11 insofar as is necessary for the conduct of its business or as may be  
12 mortgaged to it by way of security or conveyed to it in satisfaction  
13 for debts previously contracted in the course of its dealings or as it  
14 shall purchase at sales under judgments, decrees, mortgages, or  
15 trust deeds held by it and such as it shall purchase to secure debts  
16 due to it: *Provided*, That the bank shall not hold the possession of  
17 any real estate under mortgage or trust deed, or the title and  
18 possession of any real estate purchased to secure any debt due to it,  
19 for a period longer than five (5) years.

20 **SEC. 72. Review of the Bangko Sentral's Portfolio.** - At least  
21 once every month the Monetary Board shall review the portfolio of  
22 the Bangko Sentral in relation to the Bank's future credit policy.

1            In reviewing the Bangko Sentral's portfolio, the Monetary  
 2 Board shall especially consider whether a sufficiently large part of  
 3 the portfolio consists of assets with early maturities, in order that a  
 4 contraction in Bangko Sentral credit may be effected promptly  
 5 whenever the national monetary policy so requires.

6            C. Bank Reserves

7            SEC. 73. *Reserve Requirements.* - In order to control the  
 8 volume of money created by the credit operations of the banking  
 9 system, all banks operating in the Philippines shall maintain  
 10 reserves against their deposit liabilities: *Provided,* That the  
 11 Monetary Board may, at its discretion, also require banks and/or  
 12 quasi-banks to maintain reserves against their liabilities for deposit  
 13 substitutes as defined in this Act. The required reserves of each  
 14 institution shall be proportional to the volume of said liabilities and  
 15 shall be in the form of a deposit in the Bangko Sentral except when  
 16 the Monetary Board, as circumstances warrant, permits such  
 17 reserves to be in the form of other assets. Reserve requirements  
 18 shall be applied uniformly and without discrimination to all banks  
 19 of the same category, and to all quasi-banks subject to such  
 20 requirements.

21            The Monetary Board may exempt from reserve requirements  
 22 deposits and deposit substitutes with remaining maturities of two



1 (2) years or more, as well as interbank borrowings.

2 Since the requirement to maintain bank reserves is imposed  
3 primarily to control the volume of money, the Bangko Sentral shall  
4 not pay interest on the reserves maintained with it unless the  
5 Monetary Board decides otherwise as warranted by circumstances.

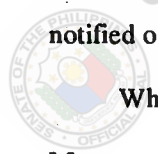
6 SEC. 74. *Definition of Deposit Substitutes.* - The term  
7 "deposit substitutes" shall be understood to refer to alternative  
8 forms of obtaining funds from the public, other than deposits,  
9 through the issuance, endorsement, or acceptance of debt  
10 instruments for the borrower's own account, for the purpose of  
11 relending or purchasing of receivables and other obligations. These  
12 instruments may include, but need not be limited to, bankers  
13 acceptances, promissory notes, participations, certificates of  
14 assignment and similar instruments with recourse, and repurchase  
15 agreements. The Monetary Board shall determine what specific  
16 instruments shall be considered as deposit substitutes for the  
17 purposes of Section 73 of this Act: *Provided, however,* That deposit  
18 substitutes of commercial, industrial and other non-financial  
19 companies issued for the limited purpose of financing their own  
20 needs or the needs of their agents or dealers shall not be covered by  
21 the provisions of Section 73 of this Act.



1           **SEC. 75. Required Reserves Against Peso Deposits and Deposit**  
 2   **Substitutes.** - The Monetary Board may fix and, when it deems  
 3   necessary, alter the minimum ratio of reserves to peso deposits, as  
 4   well as to deposit substitutes, which each bank and quasi-bank shall  
 5   maintain, and such ratio shall be applied uniformly to all banks of  
 6   the same category and to all quasi-banks: *Provided, however,* That  
 7   such ratios shall not be less than five percent (5%) nor more than  
 8   twenty-five percent (25%) for time and savings deposits, and shall  
 9   not be less than ten percent (10%) nor more than fifty percent  
 10   (50%) for demand deposits.

11           Notwithstanding the provisions of the next preceding  
 12   paragraph, the Monetary Board may, in periods of inflation,  
 13   prescribe higher reserve ratios, but not exceeding one hundred  
 14   percent (100%), for any future increase in the deposits of each bank  
 15   above the amounts outstanding on the date on which the bank is  
 16   notified of the requirement.

17           Whenever the reserve requirements established by the  
 18   Monetary Board place any bank or quasi-bank under obligation to  
 19   maintain minimum reserves in excess of twenty-five percent (25%)  
 20   of its total time or savings deposits or deposit substitutes, or in  
 21   excess of fifty percent (50%) of its total demand deposits, the  
 22   Bangko Sentral may pay interest on said excess at a rate which shall



1 not be higher than the Bangko Sentral's lowest rediscount rate.

2 SEC. 76. *Required Reserves Against Foreign Currency Deposits.*

3 - The Monetary Board may similarly prescribe and modify the  
4 minimum reserve ratios applicable to deposits denominated in  
5 foreign currencies: *Provided, however,* That such ratios may not be  
6 set below ten percent (10%) or above one hundred percent (100%)  
7 with respect to deposit liabilities in each foreign currency.

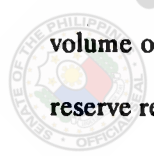
8 The Monetary Board shall determine the form and the  
9 currency, either national or foreign, in which such reserves shall be  
10 maintained: *Provided, however,* That any such requirements shall  
11 not preclude the banks from keeping a balanced position between  
12 their assets and liabilities in each of the foreign currencies in which  
13 they operate.

14 SEC. 77. *Reserves Against Unused Balances of Overdraft Lines.*

15 - In order to facilitate the Bangko Sentral's control over the  
16 volume of bank credit, the Monetary Board may establish minimum  
17 reserve requirements for unused balances of overdraft lines.

18 The powers of the Monetary Board to prescribe and modify  
19 reserve requirements against unused balances of overdraft lines  
20 shall be the same as its powers with respect to reserve requirements  
21 against demand deposits.

22 SEC. 78. *Increase in Reserve Requirements.* - Whenever in



1 the opinion of the Monetary Board, it becomes necessary to  
2 increase reserve requirements against existing liabilities, the  
3 increase shall be made in a gradual manner and shall not exceed  
4 four percentage points in any thirty (30)-day period. Banks and  
5 other affected financial institutions shall be notified reasonably in  
6 advance of the date on which such increase is to become effective.

7 **SEC. 79. *Computation on Reserves.*** - The reserve position  
8 of each bank or quasi-bank shall be calculated daily on the basis of  
9 the amount, at the close of business for the day, of the institution's  
10 reserves and the amount of its liability accounts against which  
11 reserves are required to be maintained: *Provided*, That with  
12 reference to holidays or non-banking days, the reserve position as  
13 calculated at the close of the business day immediately preceding  
14 such holidays and non-banking days shall apply on such days.

15 For the purpose of computing the reserve position of each  
16 bank or non-bank financial intermediary with quasi-banking  
17 functions, its principal office in the Philippines and all its branches  
18 and agencies located therein shall be considered as a single unit.

19 **SEC. 80. *Reserve Deficiencies.*** - Whenever the reserve  
20 position of any bank or quasi-bank computed in the manner  
21 specified in the next preceding section is below the required  
22 minimum, the bank or quasi-bank shall pay the Bangko Sentral one-



1 tenth of one percent (1/10 of 1%) per day or a rate equivalent to a  
 2 ninety-one (91) day Treasury Bill rate plus three percent (3%),  
 3 whichever is higher, on the amount of the deficiency: *Provided,*  
 4 *however,* That such institutions shall ordinarily be permitted to  
 5 offset any reserve deficiency occurring on one (1) or more days of  
 6 the week with any excess reserves which they may hold on other  
 7 days of the same week and shall be required to pay the penalty only  
 8 on the average daily deficiency during the week. In cases of abuse,  
 9 the Monetary Board may deny any bank or quasi-bank the privilege  
 10 of offsetting reserve deficiencies in the aforesaid manner.

11 If a bank or quasi-bank chronically has a reserve deficiency,  
 12 the Monetary Board may limit or prohibit the making of new loans  
 13 or investments by the institution and may require that part or all of  
 14 the net profits of the institution be assigned to surplus.

15 The Monetary Board may modify or set aside the reserve  
 16 deficiency penalties provided in this section, for part or the entire  
 17 period of a strike or lockout, as defined in the Labor Code, affecting  
 18 a bank or a quasi-bank, or of an emergency, whether national or  
 19 local, affecting operations of banks and quasi-banks.

20 **SEC. 81. Exemption from Garnishment and Other Processes.**

21 - Deposits maintained by banks with the Bangko Sentral up to  
 22 their reserve requirements shall be exempt from attachment,

1 garnishment, or any other order or process of any court,  
 2 government agency or any other administrative body issued to  
 3 satisfy the claim of a party other than the Government, or its  
 4 political subdivisions or instrumentalities.

5 SEC. 82. *Interbank Settlements.* – The Bangko Sentral shall  
 6 establish facilities for interbank clearing under such rules and  
 7 regulations as the Monetary Board may prescribe: *Provided,* That  
 8 the Bangko Sentral may charge reasonable administrative and other  
 9 fees for the maintenance of such facilities.

10 The deposit reserves maintained by the banks in the Bangko  
 11 Sentral in accordance with the provisions of Section 73 of this Act  
 12 shall serve as a basis for the clearing of checks and the settlement of  
 13 interbank balances, subject to such rules and regulations as the  
 14 Monetary Board may issue in respect to such operations: *Provided,*  
 15 That any bank which incurs an overdrawn in its deposit account  
 16 with the Bangko Sentral shall fully cover said overdraft, including  
 17 interest thereon at a rate equivalent to one-tenth of one percent  
 18 (1/10 of 1%) of the amount of the overdraft, not later than the next  
 19 clearing day: *Provided, further,* That settlement of clearing balances  
 20 shall not be effected for any account which continues to be  
 21 overdrawn for five (5) consecutive banking days until such time as  
 22 the overdrawn is fully covered or otherwise converted into an



1 emergency loan or advance pursuant to the provisions of Section 68  
 2 of this Act: *Provided, further,* That any bank whose overdrawing  
 3 exceeds five percent (5%) of its deposit and deposit substitute  
 4 liabilities due to causes other than serious national emergency shall  
 5 fully cover said overdraft or convert the same into an emergency  
 6 loan pursuant to the provisions of Section 68 not later than the next  
 7 two (2) clearing days, otherwise settlement of clearing balances  
 8 shall not be effected for the same bank: *Provided, finally,* That the  
 9 appropriate clearing office shall be officially notified of banks with  
 10 overdrawn balances.

11 **D. Open Market Operations**

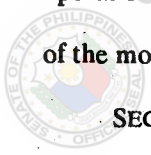
12 **SEC. 83. Principles of Open Market Operations.** – The open  
 13 market purchases and sales of securities by the Bangko Sentral shall  
 14 be made exclusively for the purpose of achieving the objectives of  
 15 the national monetary policy and shall be limited to the operations  
 16 authorized in Sections 84 and 85 of this Act. Accordingly, in  
 17 periods of inflation or as long as inflationary dangers exist, the  
 18 Bangko Sentral shall refrain from open market purchases and at  
 19 such times shall endeavor to reduce its security holdings and/or to  
 20 sell the evidences of indebtedness which it is permitted to issue  
 21 under the provisions of Section 85 of this Act.



1           Conversely, whenever the national monetary policy requires  
 2           an expansion of the money supply, the Bangko Sentral may  
 3           repurchase its own evidences of indebtedness prior to their date of  
 4           maturity, as authorized in Section 85, and may acquire the securities  
 5           to which reference is made in Section 84 of this Act. In purchasing  
 6           said securities, the Bangko Sentral shall give preference to short-  
 7           term obligations in order that the Bank may be in a better position  
 8           to reduce the money supply should conditions in the future so  
 9           warrant.

10           Whenever securities meeting the conditions established in  
 11           Section 84 of this Act represent obligations in foreign currencies,  
 12           the decisions of the Monetary Board to purchase and sell such  
 13           securities shall be governed by the adequacy of the international  
 14           reserve of the Bangko Sentral and by the effect which such  
 15           operations would have on the balance of payments and the volume  
 16           of the monetary supply.

17           SEC. 84. *Purchases and Sales of Government Securities.* – In  
 18           order to achieve the objectives of the national monetary policy, the  
 19           Bangko Sentral may, in accordance with the principles stated in  
 20           Section 83 of this Act and with such rules and regulations as may be  
 21           prescribed by the Monetary Board, buy and sell in the open market  
 22           for its own account:



1 (a) Evidences of indebtedness issued directly by the  
2 Government of the Philippines or by its political subdivisions; and

3 (b) Evidences of indebtedness issued by government  
4 instrumentalities and fully guaranteed by the Government.

5 The evidences of indebtedness acquired under the provisions  
6 of this section must be freely negotiable and regularly serviced.

7 *SEC. 85. Issue and Negotiation of Bangko Sentral Obligations.*

8 - In order to provide the Bangko Sentral with effective  
9 instruments for open market operations, the Bangko Sentral may,  
10 subject to such rules and regulations as the Monetary Board may  
11 prescribe and in accordance with the principles stated in Section 83  
12 of this Act, issue, place, buy and sell freely negotiable evidences of  
13 indebtedness of the Bangko Sentral. Said evidences of indebtedness  
14 may be issued directly against the international reserve of the  
15 Bangko Sentral or against the securities which it has acquired under  
16 the provisions of Section 84 of this Act, or may be issued without  
17 relation to specific types of assets of the Bangko Sentral.

18 The Monetary Board shall determine the interest rates,  
19 maturities, and other characteristics of said obligations of the  
20 Bangko Sentral, and may, if it deems advisable, denominate the  
21 obligations in gold or foreign currencies.

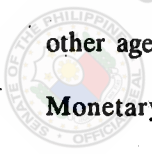
1           Subject to the principles stated in Section 83 of this Act, the  
 2 evidences of indebtedness of the Bangko Sentral to which this  
 3 section refers may be acquired by the Bangko Sentral before their  
 4 maturity, either through purchases in the open market or through  
 5 redemptions at par and by lot if the Bangko Sentral has reserved the  
 6 right to make such redemptions. The evidences of indebtedness  
 7 acquired or redeemed by the Bangko Sentral shall not be included  
 8 among its assets, and shall be immediately retired and cancelled.

9           E. Operations in Gold and Foreign Exchange

10           SEC. 86. *Purchases and Sales of Gold.* - The Bangko Sentral  
 11 may buy and sell gold in any form, subject to such regulations as the  
 12 Monetary Board may issue.

13           The Monetary Board may at any time require that any gold  
 14 held by any person or entity within the jurisdiction of the  
 15 Philippines be delivered to the Bangko Sentral or to any banks or  
 16 other agents engaged by the Bangko Sentral for the purpose. The  
 17 Monetary Board may also impose conditions under which gold in  
 18 any shape or form may be acquired and held, transported, melted,  
 19 or treated, imported, exported, earmarked or held in custody for  
 20 foreign or domestic account.

21           The purchases and sales of gold authorized by this section  
 22 shall be made in the national currency at the current exchange rate



1 or rates and at the prevailing international market price as  
2 determined by the Monetary Board, exclusive of handling and other  
3 similar charges.

4 **SEC. 87. Purchases and Sales of Foreign Exchange.** – The  
5 Bangko Sentral may buy and sell foreign notes and coins, and  
6 documents and instruments of types customarily employed for the  
7 international transfer of funds, and may also engage in future  
8 exchange operations.

9 The Bangko Sentral may engage in foreign exchange  
10 transactions with the following entities or persons only:

- 11 (a) Banking institutions operating in the Philippines;  
12 (b) The government, its political subdivisions and  
13 instrumentalities;  
14 (c) Foreign or international financial institutions;  
15 (d) Foreign governments and their instrumentalities; and  
16 (e) Other entities or persons which the Monetary Board is  
17 hereby empowered to authorize under such rules and regulations as  
18 the Monetary Board shall prescribe.

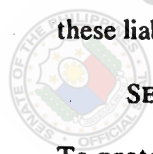
19 In order to maintain the convertibility of the peso, the Bangko  
20 Sentral shall, at the request of any banking institution operating in  
21 the Philippines, buy any quantity of foreign exchange offered, and  
22 sell any quantity of foreign exchange demanded, by such institution:

1 *Provided*, That the foreign currencies so offered or demanded are  
 2 freely convertible into gold or United States dollars. This  
 3 requirement shall not apply to demands for foreign notes and coins.

4 The Bangko Sentral shall effect its exchange transactions  
 5 between foreign currencies and the Philippine peso at the rates  
 6 determined in accordance with the provisions of Section 91 of this  
 7 Act.

8 **SEC. 88. *Foreign Asset Position of the Bangko Sentral.*** - The  
 9 Bangko Sentral shall maintain at all times a net positive foreign  
 10 asset position so that its gross foreign exchange assets will always  
 11 exceed its gross foreign liabilities. In the event that the equivalent  
 12 amount in pesos of the foreign exchange liabilities of the Bangko  
 13 Sentral exceed twice the amount of the capital accounts of the bank,  
 14 the Bangko Sentral shall, within sixty (60) days from the date the  
 15 limit is exceeded, submit a report to Congress stating the origin of  
 16 these liabilities, and the manner in which they will be paid.

17 **SEC. 89. *Emergency Restrictions on Exchange Operations.*** -  
 18 To protect the international reserve of the Bangko Sentral in the  
 19 imminence of, or during an exchange crisis or in times of national  
 20 emergency, and to give the Monetary Board and the government  
 21 time in which to take constructive measures to forestall, combat, or  
 22 overcome such crisis or emergency, the Monetary Board, with the





1 concurrence of at least five (5) of its members and with the  
 2 approval of the President of the Philippines, may temporarily  
 3 suspend or restrict sales of exchange by the Bangko Sentral, and  
 4 may subject all transactions in gold and foreign exchange to license  
 5 by the Bangko Sentral, and may require that any foreign exchange  
 6 thereafter obtained by any person residing or entity operating in the  
 7 Philippines be delivered to the Bangko Sentral or to any bank or  
 8 agent designated by the Bangko Sentral for the purpose, at the  
 9 prevailing exchange rate or rates for a period not to exceed six (6)  
 10 months or until another period is fixed by Congress: *Provided,*  
 11 *however,* That foreign currency deposits under Republic Act  
 12 Numbered Sixty four hundred and twenty-six (R.A. No. 6426) shall  
 13 be exempt from these requirements. The adoption of the  
 14 emergency measures authorized in this section shall be subject to  
 15 any executive and international agreements to which the Republic  
 16 of the Philippines is a party.



17 **SEC. 90. Acquisition of Inconvertible Currencies.** - The  
 18 Bangko Sentral shall avoid the acquisition and holding of currencies  
 19 which are not freely convertible, and may acquire such currencies in  
 20 an amount exceeding the minimum balance necessary to cover  
 21 current demands for said currencies only when, and to the extent  
 22 that, such acquisition is considered by the Monetary Board to be in

1 the national interest. The Monetary Board shall determine the  
2 procedures which shall apply to the acquisition and disposition by  
3 the Bangko Sentral of foreign exchange which is not freely utilizable  
4 in the international market.

5 SEC. 91. *Exchange Rates.* - Exchange rates shall not be  
6 administratively fixed but shall be determined through transactions  
7 in the foreign exchange market on a day-to-day basis; neither shall  
8 the Bangko Sentral intervene in the market except to the extent  
9 necessary to compensate for excessive fluctuations, but shall not  
10 operate against the trend in the market.

11 The Monetary Board shall determine the rates at which the  
12 Bangko Sentral shall buy and sell spot exchange, and shall establish  
13 deviation limits from the current exchange rate or rates as it may  
14 deem proper. The Bangko Sentral shall not collect any additional  
15 commissions or charges of any sort, other than actual telegraphic or  
16 cable costs incurred by it.

17 The Monetary Board shall similarly determine the rates for  
18 other types of foreign exchange transactions by the Bangko Sentral,  
19 including purchases and sales of foreign notes and coins, but the  
20 margins between the current exchange rates and the rates thus  
21 established may not exceed the corresponding margins for spot  
22 exchange transactions by more than the additional costs or expenses

1 involved in each type of transactions.

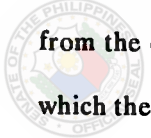
2 SEC. 92. *Operations with Foreign Entities.* - The Bangko  
3 Sentral may grant loans to, and receive loans from, foreign banks  
4 and other foreign or international entities, both public and private,  
5 and may engage in such other operations with these entities as are  
6 in the national interest and are appropriate to its character as a  
7 central bank. The Bangko Sentral may also act as agent or  
8 correspondent for such entities.

9 The Bangko Sentral may pledge any gold or other assets  
10 which it possesses as security against loans which it receives from  
11 foreign or international entities.

12 F. Regulation of Foreign Exchange Operations of the  
13 Banking System

14 SEC. 93. *Rates Applicable to Purchases and Sales of Exchange*  
15 *by the Banks.* - The Monetary Board may establish deviation limits  
16 from the current exchange rate or rates as it may deem proper at  
17 which the banks may buy and sell spot exchange. The banks shall  
18 not collect any additional commissions or charges other than actual  
19 telegraphic or cable costs incurred by them.

20 The rates to be used by the banks for other types of exchange  
21 transactions shall be based on their spot exchange rates and shall  
22 not differ from such rates by margins greater than those considered

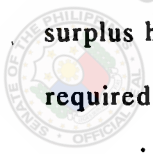


1 reasonable by the Monetary Board: *Provided, however,* That the  
 2 Board may at any time specifically fix such margins. The Monetary  
 3 Board shall issue such rules and regulations as may be necessary to  
 4 implement the provisions of this paragraph.

5 The rates established in accordance with the provisions of this  
 6 section shall not apply to exchange transactions with the Bangko  
 7 Sentral. Such transactions shall be made at the rates established in  
 8 accordance with the provisions of Section 91 of this Act.

9 **SEC. 94. *Foreign Exchange Holdings of Banks.*** - In order  
 10 that the Bangko Sentral may at all times have foreign exchange  
 11 resources sufficient to enable it to maintain the international  
 12 stability and convertibility of the peso, or in order to promote the  
 13 domestic investment of bank resources or trading in foreign  
 14 exchange among banks, the Monetary Board may require the banks  
 15 to sell to the Bangko Sentral or to other banks all or part of their  
 16 surplus holdings of foreign exchange. Such transfers may be  
 17 required for all foreign currencies or for only certain of such  
 18 currencies, as may be decided by the Monetary Board. The  
 19 transfers shall be made at the rates established under the provisions  
 20 of Section 91 of this Act.

21 The Monetary Board may, whenever warranted, determine  
 22 the net assets and net liabilities of banks and shall, in making such a



1 determination, take into account the bank's net worth, outstanding  
2 liabilities, actual and contingent, or such other financial or  
3 performance ratios as may be appropriate under the circumstances.  
4 Any such determination of net assets and net liabilities shall be  
5 applied to all banks uniformly and without discrimination.

6 **SEC. 95. Requirement of Balanced Currency Position.** - The  
7 Monetary Board may require the banks to maintain a balanced  
8 position between their assets and liabilities in Philippine pesos or in  
9 any other currency or currencies in which they operate. The banks  
10 shall be granted a reasonable period of time in which to adjust their  
11 currency positions to any such requirement.

12 The powers granted under this section shall be exercised only  
13 when, in the opinion of the Monetary Board, special circumstances  
14 make such action necessary, and shall be applied to all banks  
15 uniformly and without discrimination.

16 **SEC. 96. Regulation of Non-spot Exchange Transactions.** - In  
17 order to restrain the banks from taking speculative positions with  
18 respect to future fluctuations in foreign exchange rates, the  
19 Monetary Board may issue such regulations governing bank  
20 purchases and sales of non-spot exchange as it may consider  
21 necessary for said purpose.

1           **SEC. 97. Information on Exchange Operations.** - The banks  
 2 shall report to the Bangko Sentral the volume and composition of  
 3 their purchases and sales of gold and foreign exchange each day,  
 4 and must furnish such additional information as the Bangko Sentral  
 5 may request with reference to the movements in their accounts in  
 6 foreign currencies.

7           The Monetary Board may also require other persons and  
 8 entities to report to it currently all transactions or operations in  
 9 gold, in any shape or form, and in foreign exchange whether entered  
 10 into or undertaken by them directly or through agents, or to submit  
 11 such data as may be required on operations or activities giving rise  
 12 to or in connection with or relating to a gold or foreign exchange  
 13 transaction. The Monetary Board shall prescribe the forms on  
 14 which such declarations must be made. The accuracy of the  
 15 declarations may be verified by the Bangko Sentral by whatever  
 16 inspection it may deem necessary.

17           **TITLE FOUR - RESULTS OF OPERATIONS OF THE**  
 18   **BANGKO SENTRAL**

19           **Article I - Computation and Distribution of Profits and Losses**

20           **SEC. 98. Fiscal Year.** - The fiscal year of the Bangko Sentral  
 21 shall begin on January first and end on December thirty-first of  
 22 each year.



1           **SEC. 99. *Computation of Profits and Losses.*** – Within the  
 2 first thirty (30) days following the end of each year, the Bangko  
 3 Sentral shall determine its net profits or losses. In the calculation of  
 4 net profits, the Bangko Sentral shall make adequate allowance or  
 5 establish adequate reserves for bad and doubtful accounts.

6           **SEC. 100. *Distribution of Net Profits.*** – Within ninety (90)  
 7 days following the end of each fiscal year, the Monetary Board shall  
 8 carry out the distribution of the net profits, in accordance with the  
 9 following:

10           (a) The Bangko Sentral shall establish a general reserve  
 11 which shall be used to absorb losses beyond those provided in the  
 12 next preceding section.

13           At the end of each fiscal year, an amount equal to twenty-five  
 14 percent (25%) of the net profits shall be allocated to the general  
 15 reserve until the general reserve amounts to ten (10) times its paid-  
 16 up capital. By a vote of five (5) members of the Monetary Board,  
 17 the total amount of the general reserve may be increased beyond  
 18 ten (10) times the bank's paid-up capital.

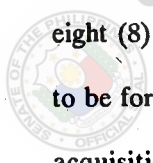
19           (b) After allocating to the general reserve under  
 20 subparagraph (a) above, seventy-five percent (75%) of the net  
 21 profits shall be kept in a special deposit account to be applied to the  
 22 redemption upon maturity of any securities of the Government held



1 by the Bangko Sentral which have been issued pursuant to the  
2 provisions of this Act.

3 SEC. 101. *Distribution of Net Losses.* - Should the Bangko  
4 Sentral incur net losses during any fiscal year, such losses shall be  
5 debited to Surplus, and if the same be inadequate, the balance shall  
6 be debited to the capital of the Bank.

7 SEC. 102. *Revaluation Profits and Losses.* - Consistent with  
8 monetary policy and international agreements, the Monetary Board  
9 may at any time declare what revaluation profits realized or losses  
10 suffered by the banks on their net assets or liabilities in gold or  
11 freely convertible foreign currencies as a result of changes in the  
12 exchange rates of the peso against other foreign currencies, or as a  
13 result of other causes, shall be for the account of the Bangko  
14 Sentral until such time as the Bangko Sentral gives notice to the  
15 contrary. Said notice shall be communicated to the banks at least  
16 eight (8) days before the date on which the revaluation risks cease  
17 to be for the account of the Bangko Sentral and shall apply only to  
18 acquisitions of the specified foreign currency subsequent to said  
19 date. The Board shall issue appropriate regulations to restrain the  
20 banks from increasing their holdings of the specified currency  
21 during the period from the date of the notice to the date on which it  
22 becomes effective.





1           The revaluation profits or losses assumed by the Bangko  
2           Sentral under the next preceding paragraph, as well as profits or  
3           losses arising from any revaluation of the Bangko Sentral's own net  
4           assets or liabilities in gold or foreign currencies as a result of  
5           changes in the exchange rates of foreign currencies with respect to  
6           the Philippine peso shall not be included in the computation of the  
7           annual profits and losses of the Bangko Sentral. Any profits or  
8           losses arising in this manner shall be offset by any amounts which,  
9           as a consequence of such revaluation, are owed by the Philippines to  
10          any international or regional inter-governmental financial institution  
11          of which the Philippines is a member or are owed by these  
12          institutions to the Philippines. Any remaining profit or loss shall be  
13          carried in a special frozen account which shall be named  
14          "Revaluation of International Reserve" and the net balance of which  
15          shall appear either among the liabilities or among the assets of the  
16          Bangko Sentral, depending on whether the revaluations have  
17          produced net profits or net losses.

18           The Revaluation of International Reserve account shall be  
19          neither credited nor debited for any purposes other than those  
20          specifically authorized in this Act.

21           **SEC. 103. Profits from Recoinage or from Reductions in the**  
22          **Bank's Currency Liabilities. – Any profits arising from a reminting**

1 of coins or from a reduction in the currency liabilities of the Bangko  
2 Sentral as a consequence of the loss, destruction or demonetization  
3 of notes and coins shall not be included in the computation of the  
4 annual profits of the Bangko Sentral.

5 Any such profits shall be used to reduce the account to secure  
6 the coinage, or the asset account Revaluation of International  
7 Reserve. The distribution of such profits among these accounts  
8 shall be determined by the Monetary Board.

9 If none of said accounts exists, the profits to which this  
10 section refers shall be used to increase the resources of the  
11 Securities Stabilization Fund.

12 Article II - *Reports and Publication*

13 SEC. 104. *General Balance Sheet of the Bangko Sentral.* -  
14 Within thirty (30) days from the last working day of each preceding  
15 month, and upon approval of the Commission on Audit, the Bangko  
16 Sentral shall publish a general balance sheet showing the volume  
17 and composition of its assets and liabilities as of said last working  
18 day: *Provided*, That the running of the thirty (30) days prescribed  
19 herein shall be suspended in the event of emergencies or abnormal  
20 operating conditions.

21 SEC. 105. *Reports.* -

22 A. Annual Report - Before the end of March of each year,

1 the Bangko Sentral shall publish and submit to the President of the  
 2 Philippines, to the members of the Senate and to the members of  
 3 the House of Representatives, an annual report on the condition of  
 4 the Bangko Sentral and a review of the policies and measures  
 5 adopted by the Monetary Board during the past year and an analysis  
 6 of the economic and financial circumstances which gave rise to said  
 7 policies and measures.

8 The annual report shall also include a statement of the  
 9 financial condition of the Bangko Sentral and a statistical appendix  
 10 which shall present, as a minimum, the following data:

11 (a) The monthly movement of the money supply,  
 12 distinguishing between currency and demand deposits;

13 (b) The monthly movement of purchases and sales of  
 14 exchange and of the international reserve of the Bangko Sentral;

15 (c) The balance of payments of the Philippines;

16 (d) Monthly indices of wages, of the cost of living and of  
 17 import and export prices;

18 (e) The monthly movement, in summary form, of exports and  
 19 imports, by volume and value;

20 (f) The monthly movement of the accounts of the Bangko  
 21 Sentral and of other banks, by groupings and classifications as  
 22 determined by the Bangko Sentral;



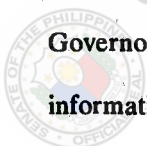
1 (g) The principal data on government receipts and  
2 expenditures and on the status of the public debt, both domestic and  
3 foreign; and

4 (h) The texts of the major legal and administrative measures  
5 adopted by the Government and the Monetary Board during the  
6 year which relate to the functions or operations of the Bangko  
7 Sentral or of banking institutions operating in the Philippines.

8 B. Quarterly Report - Before the end of the month  
9 immediately following the end of the previous quarter, the Bangko  
10 Sentral shall submit to the President of the Philippines, to the  
11 Senate and to the House of Representatives a quarterly report on  
12 matters listed in the preceding section and a review of credit  
13 portfolio of the Bangko Sentral.

14 C. Other Reports - The President, members of the Senate  
15 and members of the House of Representatives shall ask the  
16 Governor of the Bangko Sentral for additional statements, data or  
17 information that they may need, which must be provided within ten  
18 (10) days from receipt of the request.

19 SEC. 106. *Signatures on Statements.* - The balance sheets  
20 and other financial statements of the Bangko Sentral shall be signed  
21 by the officers responsible for their preparation, by the Governor,  
22 and by the Auditor of the Bank.



1 TITLE FIVE - PENAL PROVISIONS AND  
2 ADMINISTRATIVE SANCTIONS

3 Article I - *Penal Provisions*

4 SEC. 107. *Refusal to Submit Required Report or to Permit*  
5 *Examination.* - Any director, officer or employee of any institution  
6 subject to the supervision or examination by the Bangko Sentral  
7 within the purview of this Act who, being thereunto required in  
8 writing by the Monetary Board or by the head of the appropriate  
9 supervising and examining department and without prejudice to the  
10 provisions of Republic Act No. 1405, shall willfully refuse to file the  
11 required report or permit any lawful examination into the affairs of  
12 such institution shall be punished by a fine of not less than Fifty  
13 thousand pesos (₱50,000.00) nor more than One hundred thousand  
14 pesos (₱100,000.00) or by imprisonment of not more than five (5)  
15 years, or both, in the discretion of the court.

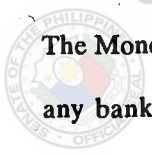
16 SEC. 108. *False Statement.* - The willful making of a false  
17 statement to the Monetary Board or to the head of the appropriate  
18 supervising and examining department or to his examiners shall be  
19 punished by a fine of not less than One hundred thousand pesos  
20 (₱100,000.00) nor more than Two hundred thousand pesos  
21 (₱200,000.00), or by imprisonment of not more than ten (10)

1 years, or both in the discretion of the court.

2           **SEC. 109. *Violation of This Act and Other Banking Laws,***  
 3 ***Rules, Regulations, Orders or Instructions.*** – Unless otherwise  
 4 herein provided, whenever a bank or quasi-banking institution, or  
 5 whenever any person or entity willfully violates this Act or other  
 6 pertinent banking laws being enforced or implemented by the  
 7 Bangko Sentral, or any rule, regulation, order or instruction issued  
 8 by the Monetary Board, the person or persons responsible for such  
 9 violation shall be punished by a fine of not less than Fifty thousand  
 10 pesos (₱50,000.00) nor more than Two hundred thousand pesos  
 11 (₱200,000.00), or by imprisonment of not more than ten (10) years,  
 12 or both, in the discretion of the court.

13                                   **Article II – *Administrative Sanctions***

14           **SEC. 110. *Administrative Sanctions on Banks and Non-bank***  
 15 ***Financial Intermediaries Performing Quasi-banking Functions.*** –  
 16 The Monetary Board is authorized, at its discretion, to impose upon  
 17 any bank or non-bank financial intermediary performing quasi-  
 18 banking functions, and/or their directors and/or officers, for any  
 19 willful delay in the submission of reports or publications thereof as  
 20 required by law, rules and regulations; any refusal to permit  
 21 examinations into the affairs of the institution; any willful making of  
 22 a false statement to the Board or the appropriate supervising and



1 examining department or its examiners; any willful failure or refusal  
 2 to comply with, or violation of, any banking law being enforced or  
 3 implemented by the Bangko Sentral, or any order, instruction, rule  
 4 or regulation issued by the Monetary Board, or any commission of  
 5 irregularities, and/or conducting business in an unsafe or unsound  
 6 manner as may be determined by the Monetary Board, the  
 7 following administrative sanctions, whenever applicable:

8 (a) Fines in amounts as may be determined by the Monetary  
 9 Board to be appropriate, but in no case to exceed Thirty thousand  
 10 pesos (P30,000.00) a day for each type of violation taking into  
 11 consideration the attendant circumstances, such as the nature and  
 12 gravity of the violation or irregularity and the size of the bank or the  
 13 financial intermediary;

14 (b) Suspension of rediscounting privileges or access to  
 15 Bangko Sentral credit facilities;

16 (c) Suspension of lending or foreign exchange operations or  
 17 authority to accept new deposits or make new investments;

18 (d) Suspension of interbank clearing privileges;

19 (e) Suspension or revocation of quasi-banking license; and/or

20 (f) Suspension or removal of directors and/or officers.

21 The above administrative sanctions need not be applied in the  
 22 order of their severity.



1           The Governor is likewise hereby authorized, at his discretion,  
 2           to impose upon banking or quasi-banking institutions, for any  
 3           failure to comply with the requirements of law, Monetary Board  
 4           regulations and policies, and/or instructions or orders issued by the  
 5           Monetary Board or by the Governor, fines not in excess of Five  
 6           thousand pesos (₱5,000.00) a day for each type of violation, the  
 7           imposition of which shall be final and executory until reversed,  
 8           modified or lifted by the Monetary Board on appeal or by the  
 9           competent court.

10           SEC. 111. *Disqualification of Directors, Officers and*  
 11           *Employees.* - Without prejudice to the imposition of sanctions  
 12           under the next preceding section, the Monetary Board may require  
 13           the directors, officers and/or employees of the institution who may  
 14           be responsible for the acts or violations mentioned in said section to  
 15           submit a written explanation why they should not be declared  
 16           disqualified from being directors or officers or employees of, or in  
 17           any way be connected with, any banking or quasi-banking  
 18           institution, and shall afford the directors, officers or employees  
 19           concerned the opportunity to explain and submit evidence in their  
 20           behalf after which the Monetary Board shall resolve the case.

21           Pending resolution of the case, the Monetary Board may, if it  
 22           deems warranted, preventively suspend the director, officer or





1 employee concerned: *Provided*, That if the case is not finally  
2 resolved by the Monetary Board within the period of the preventive  
3 suspension, which shall in no case be longer than ninety (90) days,  
4 the preventively suspended respondent shall be reinstated in his  
5 position: *Provided, further*, That when the delay in the disposition  
6 of the case is due to the fault, negligence or petition of the  
7 respondent or employee, the period of delay shall not be counted in  
8 computing the period of suspension herein provided.

9 Any director, officer or employee who shall resign from, or  
10 cease to be connected with, the institution after having been found  
11 to have been involved in any of the acts or violations herein above  
12 mentioned, or who shall resign from, or cease to be connected with,  
13 said institution during the pendency of administrative proceedings,  
14 and thereby avoid, or cause the suspension or stoppage of, such  
15 proceedings, may be declared by the Monetary Board as  
16 disqualified from being a director, officer or employee or from  
17 holding any position, even as consultant, in any financial institution  
18 subject to supervision or regulation by the Bangko Sentral:  
19 *Provided*, That such disqualification may be lifted by the Monetary  
20 Board should the proceedings, upon petition of the director, officer  
21 or employee concerned, be resumed and lead to their exoneration.

22 If, notwithstanding the absence or pendency of administrative

1 proceedings, or after the Monetary Board shall have made a  
2 resolution thereof, the institution and/or the directors, officers or  
3 employees concerned continue with or otherwise persist in the  
4 commission of the indicated practice or violation, the Monetary  
5 Board may issue an order requiring the institution and/or the  
6 directors, officers or employees concerned to cease and desist from  
7 the indicated practice or violation, and may further order that  
8 immediate action be taken to correct the conditions resulting from  
9 such practice or violation. The cease-and-desist order shall be  
10 effective immediately upon service on the respondents. If such  
11 order is issued during the pendency of the administrative  
12 proceedings, the respondents may defend their action in the same  
13 proceedings; otherwise, the respondents shall be afforded an  
14 opportunity to defend their action in a hearing before the Monetary  
15 Board or any committee which may be created for the purpose,  
16 upon request made by the respondents within five (5) days from  
17 their receipt of the order: *Provided, That, if no such hearing is*  
18 *requested within said period, the order shall be final. If a hearing is*  
19 *conducted, all issues shall be determined on the basis of the*  
20 *records, after which the Monetary Board may either reconsider or*  
21 *make final its order.*



1 balances to be held by government-owned banks and such other  
 2 banks incorporated in the Philippines as the Monetary Board may  
 3 designate, subject to such rules and regulations as the Board may  
 4 prescribe.

5       **SEC. 115. *Government Banker.*** – The Bangko Sentral shall  
 6 open a general cash account for the Treasurer of the Philippines, in  
 7 which the liquid funds of the Government shall be deposited.

8       Transfers of funds from this account to other accounts shall  
 9 be made only upon order of the Treasurer of the Philippines.

10       **SEC. 116. *Representation with the International Monetary***  
 11 ***Fund.*** – The Bangko Sentral shall represent the Government of the  
 12 Philippines in all dealings, negotiations and transactions with the  
 13 International Monetary Fund and shall carry such accounts as may  
 14 result from Philippine membership in, or operations with, said  
 15 Fund.

16       **SEC. 117. *Representation with Other Financial Institutions.*** –  
 17 The Bangko Sentral may be authorized by the Government to  
 18 represent it in dealings, negotiations or transactions with the  
 19 International Bank for Reconstruction and Development and with  
 20 other foreign or international financial institutions or agencies.

21       **SEC. 118. *Remuneration for Services.*** – The Bangko Sentral  
 22 may charge rates, commissions or fees for services which it renders



1 to the Government and to its political subdivisions and  
2 instrumentalities.

3 The Bangko Sentral shall pay interest on deposits of the  
4 Government or of its political subdivisions and instrumentalities.

5 Article II. *The Marketing and Stabilization of Securities*  
6 *for the Account of the Government*

7 A. Issue and Placing of Government Securities

8 SEC. 119. *Issue of Government Obligations.* - The issue of  
9 securities representing obligations of the Government, its political  
10 subdivisions or instrumentalities, shall be made through the Bangko  
11 Sentral, which shall act as agent of, and for the account of, the  
12 Government or its respective subdivisions or instrumentalities, as  
13 the case may be: *Provided, however,* That the Bangko Sentral shall  
14 not guarantee the placement of said securities, and shall not  
15 subscribe to their issue except to replace its maturing holdings of  
16 securities with the same type as the maturing securities.

17 SEC. 120. *Methods of Placing Government Securities.* - The  
18 Bangko Sentral may place the securities to which the preceding  
19 section refers through direct sale to financial institutions and the  
20 public, through outright sale to syndicates, brokers or dealers for  
21 purposes of resale to the public for their own account, or through  
22 brokers or banks contracted to place the securities with the public



1 for the account of the Bangko Sentral.

2 The Bangko Sentral shall not be a member of any stock  
3 exchange or syndicate, but may intervene therein for the sole  
4 purpose of regulating their operations in the placing of government  
5 securities.

6 The Government, or its political subdivisions or  
7 instrumentalities, shall reimburse the Bangko Sentral for the  
8 expenses incurred in the placing of the aforesaid securities.

9 SEC. 121. *Servicing and Redemption of the Public Debt.* - The  
10 servicing and redemption of the public debt shall also be effected  
11 through the Bangko Sentral.

12 B. Bangko Sentral Support of the Government Securities  
13 Market

14 SEC. 122. *The Securities Stabilization Fund.* - There shall be  
15 established a "Securities Stabilization Fund" which shall be  
16 administered by the Bangko Sentral for the account of the  
17 Government.

18 The operations of the Securities Stabilization Fund shall  
19 consist of purchases and sales in the open market of bonds and  
20 other evidences of indebtedness issued or fully guaranteed by the  
21 Government of the Philippines. The purpose of these operations  
22 shall be to increase the liquidity and stabilize the value of said



1 securities in order thereby to promote private investment in  
2 government obligations.

3 The Monetary Board shall use the resources of the Fund to  
4 prevent, or moderate, sharp fluctuations in the quotations of said  
5 government obligations, but shall not endeavor to alter movements  
6 of the market resulting from basic changes in the pattern or level of  
7 interest rates.

8 The Monetary Board shall issue such regulations as may be  
9 necessary to implement the provisions of this section.

10 SEC. 123. *Resources of the Securities Stabilization Fund.* -

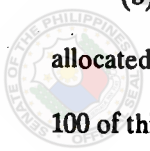
11 The resources of the Securities Stabilization Fund shall come from  
12 the following sources:

13 (a) The balance of the Fund as held by the Bangko Sentral  
14 ng Pilipinas as of the effective date of this Act;

15 (b) That part of the annual net profits of the Bangko Sentral  
16 allocated to the Fund in accordance with the provisions of Section  
17 100 of this Act; and

18 (c) Profits arising from recoinage or from reductions in the  
19 currency issue, under the conditions specified in Section 103 of this  
20 Act.

21 SEC. 124. *Profits and Losses of the Fund.* - The Securities  
22 Stabilization Fund shall retain any net profits which it may make on



1 its operations, regardless of whether said profits arise from capital  
 2 gains or from interest earnings. The Fund shall correspondingly  
 3 bear any net losses which it may incur.

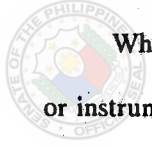
4 Article III – *Functions as Financial Advisor of the Government*

5 SEC. 125. *Financial Advice on Official Credit Operations.* –

6 Before undertaking any credit operation abroad, the Government,  
 7 through the Secretary of Finance, shall request the opinion, in  
 8 writing, of the Monetary Board on the monetary implications of the  
 9 contemplated action. Such opinions must similarly be requested by  
 10 all political subdivisions and instrumentalities of the Government  
 11 before any credit operation abroad is undertaken by them.

12 The opinion of the Monetary Board shall be based on the  
 13 gold and foreign exchange resources and obligations of the nation  
 14 and on the effects of the proposed operation on the balance of  
 15 payments and on the volume of the money supply.

16 Whenever the Government, or any of its political subdivisions  
 17 or instrumentalities, contemplates borrowing within the Philippines,  
 18 the prior opinion of the Monetary Board shall likewise be requested  
 19 in order that the Board may render an opinion on the probable  
 20 effects of the proposed operation on the money supply, the price  
 21 level, and the balance of payments.





1           **SEC. 126. Representation on the National Economic and**  
 2       **Development Authority.** – In order to assure effective coordination  
 3       between the economic, financial and fiscal policies of the  
 4       government and the monetary, credit and exchange policies of the  
 5       Bangko Sentral, the Governor of the Bangko Sentral shall be an *ex*  
 6       *officio* member of the National Economic and Development  
 7       Authority.

8                       **TITLE SEVEN – PRIVILEGES AND RESTRICTION**  
 9                                       **ON OPERATIONS**

10                                       **Article I – Privileges**

11           **SEC. 127. Tax Exemptions.** – The Bangko Sentral shall be  
 12       exempt from all national, provincial, municipal and city taxes, fees,  
 13       charges and assessments.

14           The exemptions authorized in the preceding paragraph of this  
 15       section shall apply to all property of the Bangko Sentral, to the  
 16       resources, receipts, expenditures, profits and income of the Bangko  
 17       Sentral, as well as to all contracts, deeds, documents and  
 18       transactions related to the conduct of the business of the Bangko  
 19       Sentral: *Provided, however,* That said exemptions shall apply only to  
 20       such taxes, fees, charges and assessments for which the Bangko  
 21       Sentral itself would otherwise be liable, and shall not apply to taxes,  
 22       fees, charges, or assessments payable by persons or other entities

1 doing business with the Bangko Sentral: *Provided, further,* That  
 2 foreign loans and other obligations of the Bangko Sentral shall be  
 3 exempt, both as to principal and interest, from any and all taxes if  
 4 the payment of such taxes has been assumed by the Bangko Sentral.

5 SEC. 128. *Exemption from Customs Duties.* - The  
 6 importation and exportation by the Bangko Sentral of notes and  
 7 coins, and of gold and other metals to be used for purposes  
 8 authorized under this Act shall be fully exempt from all customs  
 9 duties and consular fees and from all other taxes, assessments and  
 10 charges related to such importation or exportation.

11 SEC. 129. *Authority to Collect Fees.* - The Bangko Sentral  
 12 may collect filing fees for applications filed with it by banks and  
 13 other private parties, and such other administrative fees which the  
 14 Monetary Board may fix under such rules as it may issue in  
 15 connection with the other operations of the Bangko Sentral.

16 Article II - *Restriction*

17 SEC. 130. *Development Banking and Financing.* - The  
 18 Bangko Sentral shall not engage in development banking or  
 19 financing: *Provided, however,* That this restriction shall not apply in  
 20 cases where pursuant to the terms of agreements with international  
 21 or regional inter-governmental financial organizations, the Bangko  
 22 Sentral is designated as the conduit for development loan funds:



1 *Provided, further,* That outstanding loans obtained or extended for  
 2 development financing shall not be affected by the restrictions in  
 3 this section.

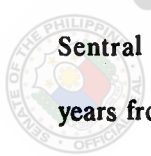
4 TITLE EIGHT - TRANSITORY AND MISCELLANEOUS  
 5 PROVISIONS

6 Article I - *Transitory Provisions*

7 SEC. 131. *Transfer of Assets and Liabilities.* - Upon the  
 8 effectivity of this Act, all assets and liabilities of the Central Bank of  
 9 the Philippines created under the provisions of Republic Act No.  
 10 265, shall officially become the assets and liabilities of the Bangko  
 11 Sentral ng Pilipinas, created pursuant to this Act.

12 To ensure the viability of the Bangko Sentral ng Pilipinas by  
 13 excluding from its books of accounts worthless assets thus enabling  
 14 it to perform its functions as a Central Monetary Authority, the  
 15 Republic of the Philippines shall execute and deliver to the Bangko  
 16 Sentral ng Pilipinas a bond payable at the end of twenty-five (25)  
 17 years from the date of issuance, at such principal amount and rate  
 18 of interest as to yield the Bangko Sentral ng Pilipinas a positive net  
 19 worth and a positive result of operations.

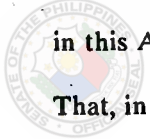
20 The principal amount which shall not exceed Three hundred  
 21 billion pesos (P300B) and the rate of interest shall be determined  
 22 by a committee chaired by the executive secretary with the Bangko



1 Sentral Governor, the Secretary of Finance, NEDA Director  
 2 General, and the Chairman of the Commission on Audit, as  
 3 members, to be organized within thirty (30) days after the effectivity  
 4 of this Act. The committee shall complete its work within five (5)  
 5 months after its organization, submitting a comprehensive report to  
 6 Congress with all the findings and justifications.

7 SEC. 132. *Implementing Details: Organization and Staffing of*  
 8 *the Bangko Sentral.* - Within thirty (30) days from the bond  
 9 issuance as provided in the preceding section, the Monetary Board  
 10 shall be constituted by the President of the Philippines with the  
 11 appointment of members from the private sector.

12 The incumbent private sector members of the Monetary  
 13 Board of the Central Bank of the Philippines under Republic Act  
 14 No. 265, as amended, shall hold over in office and continue to  
 15 discharge their responsibilities until the Monetary Board provided  
 16 in this Act shall have been fully constituted: *Provided, however,*  
 17 *That,* in order not to disrupt the alternating term of office of said  
 18 members as provided in Section 6 of this Act, the said incumbent  
 19 members may be reappointed in accordance with the provisions of  
 20 said Section 6 and such members shall serve the full term for which  
 21 they were reappointed: *Provided, further,* That the organizational  
 22 structure and all personnel complement of the Central Bank of the



1        Philippines shall be deemed transferred to the Bangko Sentral ng  
 2        Pilipinas, and all personnel who may be incumbents of positions in  
 3        the Central Bank of the Philippines upon approval of this Act shall  
 4        thenceforth continue to exercise their duties and functions as  
 5        personnel of the Bangko Sentral subject to the provisions of Section  
 6        135 of this Act.

7                SEC. 133. *Commencement of Operations of the Bangko*  
 8        *Sentral.* – Upon the full constitution of the Monetary Board, the  
 9        Bangko Sentral ng Pilipinas shall commence operations in  
 10        accordance with the provisions of this Act.

11                SEC. 134. *Transfer of Powers.* – All powers, duties and  
 12        functions vested by law in the Central Bank of the Philippines not  
 13        inconsistent with the provisions of this Act, are hereby transferred  
 14        to the Bangko Sentral ng Pilipinas.

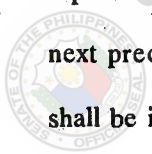
15                SEC. 135. *Authority to Reorganize.* – To achieve simplicity,  
 16        economy and maximum efficiency in operations, the organizational  
 17        structure and personnel complement of the Central Bank of the  
 18        Philippines transferred to the Bangko Sentral pursuant to Section  
 19        132 of this Act, may be reorganized by the Monetary Board of the  
 20        Bangko Sentral, which may include adopting an entirely new staffing  
 21        pattern and organizational structure to suit the operations of the  
 22        Bangko Sentral under this Act, and personnel who may not be



1 retained are deemed separated from the service. No preferential or  
 2 priority right shall be given to or enjoyed by any personnel for  
 3 appointment to any position in the new staffing pattern, nor shall  
 4 any personnel be considered as having prior or vested rights with  
 5 respect to retention in the Bangko Sentral or in any position which  
 6 may be created in the new staffing pattern, even if he should be the  
 7 incumbent of a similar position prior to reorganization. The  
 8 formulation of the program of reorganization shall be completed  
 9 within sixty (60) days from the commencement of operations of the  
 10 Bangko Sentral and shall be fully implemented within a period of  
 11 sixty (60) days thereafter.

12 **SEC. 136. *Separation Benefits.*** – Pursuant to Section 14 of  
 13 this Act, the Monetary Board of the Bangko Sentral is authorized to  
 14 provide separation incentives, and all those who shall retire or be  
 15 separated from the service on account of reorganization under the  
 16 next preceding section shall be entitled to such incentives, which  
 17 shall be in addition to all gratuities and benefits to which they may  
 18 be entitled under existing laws.

19 **SEC. 137. *Phase-out of Fiscal Agency Functions.*** – In  
 20 consonance with the constitutional mandate to maintain an  
 21 independent Central Monetary Authority, the Bangko Sentral shall,  
 22 within a period of three (3) years from its commencement of



1 operations, phase out all fiscal functions provided for in this Act, the  
 2 same to be assumed by the Department of Finance and, thereafter,  
 3 the Bangko Sentral shall in no instance act as fiscal agent of the  
 4 Government, its political subdivisions and instrumentalities.

5 Article II - *Miscellaneous Provisions*

6 SEC. 138. *Separability Clause.* - In the event that any  
 7 provisions of this Act or the applicability of such provision to any  
 8 person or circumstances is declared invalid, the remaining  
 9 provisions of this Act or the application of said provisions to other  
 10 persons or circumstances shall not be affected by such declaration.

11 SEC. 139. *Repealing Clause.* - The provisions of Republic  
 12 Act Numbered Two hundred and sixty-five, as amended, and of any  
 13 laws, rules or regulations, special charter, or parts thereof, of any  
 14 government banking and financial institutions which are  
 15 inconsistent herewith are hereby repealed or amended accordingly.

16 SEC. 140. *Effectivity.* - This Act shall take effect upon its  
 17 approval. The Bangko Sentral ng Pilipinas shall be deemed to  
 18 commence business as the Central Monetary Authority after the  
 19 constitution of the Monetary Board under Section 133 hereof.

Approved,

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