

S E N A T E

S. No. 1235

In consolidation of and as substitute for S. No. 23, S. No. 367, S. No. 844, S. No. 868, and S. No. 945, introduced by Senators Romulo, Sotto III, Tatad, Herrera, Coseteng, Osmeña, Gonzales, Guingona, Jr., Roco and the Committee on Banks, Financial Institutions and Currencies

THE NEW CENTRAL BANK ACT

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

1 CHAPTER I. -- ESTABLISHMENT AND ORGANIZATION

2 OF THE *BANGKO SENTRAL NG PILIPINAS*

3 ARTICLE I. -- Creation, Responsibilities

4 and Corporate Powers of the *Bangko Sentral*

5 SECTION 1. *Creation of the Bangko Sentral.* - There
6 is hereby established an independent central monetary
7 authority, which shall be a body corporate known as the
8 *Bangko Sentral ng Pilipinas*, hereafter referred to as the
9 *Bangko Sentral*.

10 The capital of the *Bangko Sentral* shall be Fifty
11 billion pesos (P50,000,000,000.00), to be fully subscribed
12 by the Government of the Republic, hereafter referred to as
13 the Government, Ten billion pesos (P10,000,000,000.00) of
14 which shall be fully paid for by the Government upon the
15 effectivity of this Act and the balance to be paid for
16 within a period of two (2) years from the effectivity of
17 this Act in such manner as the Government, through the
18 Secretary of Finance and the Secretary of Budget and
19 Management, may thereafter determine.

20 SEC. 2. *Responsibility and Primary Objective.* - The
21 *Bangko Sentral* shall provide policy directions in the areas
22 of money, banking, and credit. It shall have supervision
23 over the operations of banks and exercise such regulatory
24 powers as provided in this Act and other pertinent laws

1 over the operations of finance companies and non-bank
 2 financial institutions performing quasi-banking functions,
 3 hereafter referred to as quasi-banks, and institutions
 4 performing similar functions.

5 The primary objective of the *Bangko Sentral* is to
 6 maintain price stability conducive to a balanced and
 7 sustainable growth of the economy.

8 SEC. 3. *Place of Business.* - The *Bangko Sentral* shall
 9 have its principal place of business in Metro Manila, but
 10 may maintain branches, agencies and correspondents in such
 11 other places as the proper conduct of its business may
 12 require.

13 SEC. 4. *Corporate Powers.* - The *Bangko Sentral* is
 14 hereby authorized to adopt, alter, and use a corporate
 15 seal which shall be judicially noticed; to enter into
 16 contracts; to lease or own real and personal property, and
 17 to sell or otherwise dispose of the same; to sue and
 18 be sued; and otherwise to do and perform any and all
 19 things that may be necessary or proper to carry out the
 20 purposes of this Act.

21 The *Bangko Sentral* may acquire and hold such assets and
 22 incur such liabilities in connection with its operations
 23 authorized by the provisions of this Act, or as are
 24 essential to the proper conduct of such operations.

25 The *Bangko Sentral* may compromise, condone or release,
 26 in whole or in part, any claim of or settled liability to
 27 the *Bangko Sentral*, regardless of the amount involved, under
 28 such terms and conditions as may be prescribed by the
 29 Monetary Board to protect the interests of the *Bangko*
 30 *Sentral*.

31 ARTICLE II. - The Monetary Board

32 SEC. 5. *Composition of the Monetary Board.* - The
 33 powers and functions of the *Bangko Sentral* shall be
 34 exercised by the *Bangko Sentral* Monetary Board, hereafter

1 referred to as the Monetary Board, composed of seven (7)
2 members appointed by the President of the Philippines for a
3 term of six (6) years.

4 The seven (7) are:

5 a) the Governor of the *Bangko Sentral*, who shall
6 be the Chairman of the Monetary Board. The Governor of
7 the *Bangko Sentral* shall be head of a department and
8 his appointment shall be subject to confirmation by the
9 Commission on Appointments. Whenever the Governor is
10 unable to attend a meeting of the Board, he shall
11 designate a Deputy Governor to act as his alternate:
12 *Provided*, That in such event, the Monetary Board shall
13 designate one of its members as acting Chairman;

14 b) a member of the Cabinet to be designated by
15 the President of the Philippines. Whenever the
16 designated Cabinet Member is unable to attend a
17 meeting of the Board, he shall designate an
18 Undersecretary in his Department to attend as his
19 alternate; and

20 c) five (5) members who shall come from the
21 private sector, three (3) of whom shall serve full-time
22 and two (2) of whom shall serve part-time: *Provided*,
23 *however*, That of the members first appointed under
24 the provisions of this sub-section, those who
25 shall serve full-time shall have terms of two
26 (2), four (4), and six (6) years, respectively,
27 and those who shall serve part-time shall have terms of
28 office of three (3) and five (5) years, respectively:
29 *Provided*, That no member may be reappointed more than
30 once.

31 SEC. 6. *Vacancies*. - Any vacancy in the Monetary
32 Board created by the death, resignation, or removal of any
33 member shall be filled by the appointment of a new member to
34 complete the unexpired period of the term of the member
35 concerned.



1 SEC. 7. *Qualifications.* - The members of the
 2 Monetary Board must be natural-born citizens of the
 3 Philippines, at least thirty-five (35) years of age, with
 4 the exception of the Governor who should at least be forty
 5 (40) years of age, of good moral character, of
 6 unquestionable integrity, of known probity and patriotism,
 7 and with recognized competence in disciplines which can
 8 provide productive inputs in the formulation of monetary
 9 policy: *Provided,* That at least two members must have
 10 recognized competence in public finance and economics.

11 SEC. 8. *Disqualifications.* - In addition to the
 12 disqualifications imposed by Republic Act No. 6713, the
 13 "Ethical Standards Act," a member of the Monetary Board is
 14 disqualified from being a director, officer, employee,
 15 consultant, lawyer, agent or stockholder of any bank,
 16 quasi-bank or any other institution which is subject to
 17 supervision or examination by the *Bangko Sentral*, in which
 18 case such member shall resign from, and divest himself of
 19 any and all interests in such institution before assumption
 20 of office as member of the Monetary Board.

21 The members of the Monetary Board coming from the
 22 private sector shall not hold any other public office or
 23 public employment during their tenure.

24 No person shall be a member of the Monetary Board if he
 25 has been connected directly with any multilateral banking or
 26 financial institution or has a substantial interest in any
 27 private bank in the Philippines, within three (3) years
 28 prior to his appointment; likewise, no member of the
 29 Monetary Board shall be employed in any such institution
 30 within three (3) years after the expiration of his term
 31 except when he serves as an official representative of the
 32 Philippine Government to such institution.

33 SEC. 9. *Removal.* - The President may remove any
 34 member of the Monetary Board for any of the following
 35 reasons:

1 a) if the Member is subsequently disqualified
2 under the provisions of Section 8 of this Act; or

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

7 c) if the member is guilty of acts or operations
8 which are of fraudulent or illegal character
9 or which are manifestly opposed to the aims
10 and interests of the *Bangko Sentral*; or

11 d) if the member no longer possesses
12 the qualifications specified in Section 7.

13 SEC. 10. *Meetings.* - The Monetary Board shall meet
14 at least once a week. The Board may be called to a meeting
15 by the Governor of the *Bangko Sentral* or by two (2) other
16 members of the Board.

17 The presence of four (4) members shall constitute a
18 *quorum: Provided,* That in all cases the Governor or his duly
19 designated alternate shall be among the four (4).

20 Unless otherwise provided in this Act, all decisions of
21 the Monetary Board shall require the concurrence of at least
22 four (4) members.

23 The *Bangko Sentral* shall maintain and preserve a
24 complete record of the proceedings and deliberations of the
25 Monetary Board, including the tapes and transcripts of the
26 stenographic notes, either in their original form or in
27 microfilm.

28 SEC. 11. *Attendance of the Deputy Governors.* - The
29 Deputy Governors may attend the meetings of the Monetary
30 Board with the right to be heard.

31 SEC. 12. *Salary.* - The salary of the Governor of
32 the *Bangko Sentral* and the full-time members of the
33 Monetary Board shall be fixed by the President of the
34 Philippines, at a sum which recognizes the importance and

1 responsibilities of the position: *Provided*, That the
2 salary of the Governor shall in no case exceed One hundred
3 fifty thousand pesos (P150,000.00) a month, and the full-
4 time members, One hundred twenty thousand pesos
5 (P120,000.00) a month, exclusive of any allowances normally
6 granted to other government officials, as the Monetary
7 Board may fix: *Provided, however*, That said allowances shall
8 not exceed fifty percent (50%) of the salaries.

9 The members of the Monetary Board shall receive a
10 *per diem* of Five thousand pesos (P5,000.00) for every
11 Board meeting attended.

12 SEC. 13. *Withdrawal of Persons Having a Personal*
13 *Interest.* - In addition to the requirements of Republic
14 Act No. 6713, any member of the Monetary Board with
15 personal or pecuniary interest in any matter in the agenda
16 of the Monetary Board shall disclose his interest to the
17 Board and shall retire from the meeting when the matter
18 is taken up. The decision taken on the matter shall
19 be made public. The minutes shall reflect the disclosure
20 made and the retirement of the member concerned from the
21 meeting.

22 SEC. 14. *Exercise of Authority.* - In the exercise
23 of its authority, the Monetary Board shall:

24 a) issue rules and regulations it considers
25 necessary for the effective discharge of the
26 responsibilities and exercise of the powers vested
27 upon the Monetary Board and the *Bangko Sentral*. The
28 rules and regulations issued shall be reported to the
29 President and the Congress within fifteen (15) days
30 from the date of their issuance;

31 b) direct the management, operations, and
32 administration of the *Bangko Sentral*, reorganize
33 its personnel, and issue such rules and regulations as

1 it may deem necessary or convenient for this purpose.
 2 The legal units of the *Bangko Sentral* shall be under
 3 the exclusive supervision and control of the Monetary
 4 Board;

5 c) establish a human resource management system
 6 which shall govern the selection, hiring, appointment,
 7 transfer, promotion, or dismissal of all personnel.
 8 Such system shall aim to establish professionalism
 9 and excellence at all levels of the *Bangko*
 10 *Sentral* in accordance with sound principles of
 11 management.

12 A compensation structure, based on job
 13 evaluation studies and wage surveys and subject to
 14 the Board's approval, shall be instituted as an
 15 integral component of the *Bangko Sentral's* human
 16 resource development program: *Provided*, That the
 17 Monetary Board shall make its own system conform as
 18 closely as possible with the principles provided for
 19 under Republic Act No. 6758: *Provided, however*, That
 20 compensation and wage structure of employees whose
 21 positions fall under salary grade 22 and below shall be
 22 in accordance with the rates prescribed under Republic
 23 Act No. 6758.

24 On the recommendation of the Governor, appoint,
 25 fix the remunerations and other emoluments, and remove
 26 personnel of the *Bangko Sentral*, subject to pertinent
 27 civil service laws: *Provided*, That the Monetary Board
 28 shall have exclusive and final authority to promote,
 29 transfer, assign, or reassign personnel of the *Bangko*
 30 *Sentral* and these personnel actions are deemed made
 31 in the interest of the service and not disciplinary:
 32 *Provided, further*, That the Monetary Board may
 33 delegate such authority to the Governor under
 34 such guidelines as it may determine.



1 d) adopt an annual budget for and authorize
2 such expenditures by the *Bangko Sentral* as are in the
3 interest of the effective administration and
4 operations of the *Bangko Sentral* in accordance with
5 applicable laws and regulations; and

6 e) indemnify its members and other officials of
7 the *Bangko Sentral*, including personnel of the
8 departments performing supervision and examination
9 functions against all costs and expenses
10 reasonably incurred by such persons in connection with
11 any civil or criminal action, suit or proceedings to
12 which he may be, or is, made a party by reason of
13 the performance of his functions or duties, unless
14 he is finally adjudged in such action or proceeding to
15 be liable for negligence or misconduct.

16 In the event of a settlement or compromise,
17 indemnification shall be provided only in connection
18 with such matters covered by the settlement as to
19 which the *Bangko Sentral* is advised by external
20 counsel that the person to be indemnified did not
21 commit any negligence or misconduct.

22 The costs and expenses incurred in defending the
23 aforementioned action, suit or proceeding may be paid by
24 the *Bangko Sentral* in advance of the final disposition of
25 such action, suit or proceeding upon receipt of an
26 undertaking by or on behalf of the member, officer, or
27 employee to repay the amount advanced should it ultimately
28 be determined by the Monetary Board that he is not entitled
29 to be indemnified as provided in this subsection.

30 SEC. 15. *Responsibility.* - Members of the Monetary
31 Board, officials, examiners and employees of *Bangko Sentral*
32 who willfully violate this Act or who are guilty of
33 negligence, abuses or acts of malfeasance or misfeasance or

1 fail to exercise extraordinary diligence in the performance
2 of his duties shall be held liable for any loss or injury
3 suffered by the *Bangko Sentral* or other banking institutions
4 as a result of such violation, negligence, abuse,
5 malfeasance, misfeasance or failure to exercise
6 extraordinary diligence.

7 Similar responsibility shall apply to Members,
8 officers, and employees of the *Bangko Sentral* for: (1)
9 The disclosure of any information of a confidential
10 nature, or any information on the discussions or
11 resolutions of the Monetary Board, or about the confidential
12 operations of the *Bangko Sentral*, unless the disclosure is
13 in connection with the performance of official functions
14 with the *Bangko Sentral*, or is with prior authorization of
15 the Monetary Board or the Governor; or (2) The use of such
16 information for personal gain or to the detriment of the
17 Government, the *Bangko Sentral* or third parties: *Provided,*
18 *however,* That any data or information required to be
19 submitted to the President and/or the Congress, or to be
20 published under the provisions of this Act shall not be
21 considered confidential.

22 ARTICLE III. -- The Governor and Deputy Governors
23 of the *Bangko Sentral*

24 SEC. 16. *Powers and Duties of the Governor.* - The
25 Governor shall be the chief executive officer of the *Bangko*
26 *Sentral.* His powers and duties shall be:

27 a) to prepare the agenda for the meetings of
28 the Monetary Board and to submit for the consideration
29 of the Board the policies and measures which he
30 believes to be necessary to carry out the purposes
31 and provisions of this Act;

32 b) to execute and administer the policies and
33 measures approved by the Monetary Board;

1 c) to direct and supervise the operations and
2 internal administration of the *Bangko Sentral*. The
3 Governor may delegate certain of his administrative
4 responsibilities to other officers or may assign
5 specific tasks or responsibilities to any full-time
6 member of the Monetary Board without additional
7 remuneration or allowance whenever he may deem fit or
8 subject to such rules and regulations as the Monetary
9 Board may prescribe;

10 d) to appoint and fix the remunerations and
11 other emoluments of personnel below the rank of a
12 department head in accordance with the position and
13 compensation plans approved by the Monetary Board,
14 as well as to impose disciplinary measures upon
15 personnel of the *Bangko Sentral*, subject to the
16 provisions of Section 14(c) of this Act: *Provided*,
17 That removal of personnel shall be with the
18 approval of the Monetary Board;

19 e) to render opinions, decisions, or rulings,
20 which shall be final and executory until reversed or
21 modified by the Monetary Board, on matters
22 regarding application or enforcement of laws pertaining
23 to institutions supervised by the *Bangko Sentral* and
24 laws pertaining to quasi-banks, as well as regulations,
25 policies or instructions issued by the Monetary Board,
26 and the implementation thereof; and

27 f) to exercise such other powers as may be vested
28 in him by the Monetary Board.

29 SEC. 17. *Representation of the Monetary Board and the*
30 *Bangko Sentral.* - The Governor of the *Bangko Sentral* shall
31 be the principal representative of the Monetary Board and of
32 the *Bangko Sentral* and, in such capacity and in accordance
33 with the instructions of the Monetary Board, he shall be
34 empowered:



1 a) to represent the Monetary Board and the *Bangka*
2 *Sentral* in all dealings with other offices, agencies
3 and instrumentalities of the Government and all other
4 persons or entities, public or private, whether
5 domestic, foreign or international;

6 b) to sign contracts entered into by the *Bangka*
7 *Sentral*, notes and securities issued by the *Bangka*
8 *Sentral*, all reports, balance sheets, profit and
9 loss statements, correspondence and other documents
10 of the *Bangka Sentral*.

11 The signature of the Governor may be in facsimile
12 whenever appropriate;

13 c) to represent the *Bangka Sentral*, either
14 personally or through counsel, including private
15 counsel, as may be authorized by the Monetary
16 Board, in any legal proceedings action or specialized
17 legal studies; and

18 d) to delegate his power to represent the
19 *Bangka Sentral*, as provided in subsections (a),
20 (b) and (c) of this Section, to other officers upon
21 his own responsibility: *Provided, however,* That in
22 order to preserve the integrity and the prestige of his
23 office, the Governor of the *Bangka Sentral* shall not
24 participate in preliminary discussions with any
25 multilateral banking or financial institution on any
26 negotiations for the Government within or outside the
27 Philippines. During the negotiations, he shall be
28 instead represented by a permanent negotiator who may
29 have the rank of ambassador but shall not outrank the
30 Governor of the *Bangka Sentral* in terms of status and
31 seniority.

32 SEC. 18. *Authority of the Governor in Emergencies.* -

33 In case of emergencies where time is insufficient to call a
34 meeting of the Monetary Board, the Governor of the *Bangka*
35 *Sentral*, with the concurrence of two (2) other members of



1 the Monetary Board, may decide any matter or take any action
2 within the authority of the Board.

3 The Governor shall submit a report to the President
4 and Congress within seventy-two (72) hours after the action
5 has been taken.

6 At the soonest possible time, the Governor shall call a
7 meeting of the Monetary Board to submit his action for
8 ratification.

9 SEC. 19. *Outside Interests of the Governor and the*
10 *Full-time Members of the Board.* - The Governor of the
11 *Bangko Sentral* and the full-time members of the board
12 shall limit their professional activities to those
13 pertaining directly to their positions with the *Bangko*
14 *Sentral*. Accordingly, they may not accept any other
15 employment, whether public or private, remunerated or *ad*
16 *honorem*, with the exception of positions in eleemosynary,
17 civic, cultural or religious organizations or whenever, by
18 designation of the President, the Governor or the full-time
19 member is tasked to represent the interest of the Government
20 or other government agencies in matters connected with or
21 affecting the economy or the financial system of the
22 country.

23 SEC. 20. *Deputy-Governors.* - The Governor of the
24 *Bangko Sentral*, with the approval of the Monetary Board,
25 shall appoint not more than three (3) deputy governors
26 who shall perform duties as may be assigned to them by
27 the Governor and the Board.

28 In the absence of the Governor, a Deputy Governor
29 designated by the Governor shall act as chief executive of
30 the *Bangko Sentral* and shall exercise the powers and perform
31 the duties of the Governor. Whenever the Governor is unable
32 to attend meetings of government boards or councils in which
33 he is an *ex officio* member pursuant to provisions of special
34 laws, a Deputy Governor as may be designated by the

1 Governor shall be vested with authority to participate and
2 exercise the right to vote in such meetings.

3 ARTICLE IV.--Departments of the *Bangko Sentral*

4 A. DEPARTMENT OF ECONOMIC RESEARCH

5 SEC. 21. *Responsibilities of the Department.* -

6 The *Bangko Sentral* shall establish and maintain a Department
7 of Economic Research which shall prepare data and
8 conduct economic research for the guidance of the Monetary
9 Board in the formulation and implementation of its policies.

10 Toward this end, the Department of Economic Research
11 shall prepare forecasts of the balance of payments of the
12 Philippines, statistics on the monthly movement of the
13 monetary aggregates and of prices and other statistical
14 series and economic studies useful for the formulation and
15 analysis of the monetary, banking and exchange policies.

16 The scope of the other functions and duties of the
17 department shall be defined and prescribed by the Monetary
18 Board.

19 The Deputy Governor for economic research, if one
20 should be designated, and the head of the Department of
21 Economic Research must be an economist who has extensive
22 training and exposure to the relevant fields of economics,
23 money, and banking and has adequate experience in economic
24 research.

25 SEC. 22. *Authority to Obtain Information.* - The

26 Department of Economic Research shall have the authority to
27 request from Government offices and instrumentalities any
28 data which the *Bangko Sentral* may require for the
29 proper discharge of its functions and responsibilities. The
30 *Bangko Sentral* through the Governor or in his absence, a
31 duly authorized representative shall have the power to
32 issue a *subpoena* for the production of the books and
33 records for the aforesaid purpose. Those who refuse
34 without justifiable cause the *subpoena* to supply the

1 *Bangko Sentral* with data requested or required, shall
2 be subject to the penalties provided in Section 32.

3 Data on individual firms, other than banks, gathered by
4 the Department of Economic Research and other departments or
5 units of the *Bangko Sentral* shall not be made available to
6 any person or entity outside of the *Bangko Sentral* whether
7 public or private except under order of the court or under
8 such conditions as may be prescribed by the Monetary Board:
9 *Provided, however,* That the collective data on firms may be
10 released to interested persons or entities: *Provided,*
11 *finally,* That in the case of data on banks, the
12 provisions of Section 26 of this Act shall apply.

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

23 B. SUPERVISION AND EXAMINATION DEPARTMENTS

24 SEC. 24. *Supervision and Examination Departments.* -
25 The *Bangko Sentral* shall have supervising and examining
26 departments which shall be charged with the supervision and
27 periodic or special examinations of banking institutions and
28 quasi-banks, including their subsidiaries and affiliates
29 engaged in allied activities.

30 For purposes of this Section, a subsidiary means a
31 corporation more than fifty percent (50 %) of the voting
32 stock of which is owned by a bank or quasi-bank and an
33 affiliate means a corporation where fifty percent (50%) or
34 less of the voting stock is owned by a bank or quasi-bank or
35 which is related or linked to such institution through

1 common stockholders or such factors as may be determined by
2 the Monetary Board: *Provided*, That a corporation or
3 entity which obtains a substantial portion of its capital or
4 operating requirements from a bank or a quasi-bank by way of
5 loan or other form of useful credit accommodation shall
6 likewise be considered subsidiary or an affiliate of such
7 bank or quasi-bank, depending on the amount involved. The
8 supervising and/or examining departments shall discharge
9 their responsibilities in accordance with the instructions
10 of the Monetary Board.

11 The department heads and the examiners of the
12 supervising and/or examining departments are hereby
13 authorized to administer oaths to any director, officer, or
14 employee of any institution under their respective
15 supervision or subject to their examination and to compel
16 the presentation of all books, documents, papers or records
17 necessary in their judgment to ascertain the facts relative
18 to the true condition of any institution as well as the
19 books and records of persons and entities relative to or in
20 connection with the operations, activities or transactions
21 of the institution under examination, subject to the
22 provision of existing laws protecting or safeguarding the
23 secrecy or confidentiality of bank deposits as well as
24 investments in debt instruments issued by the Government or
25 private persons natural or juridical.

26 No restraining order or injunction shall be issued by
27 the court enjoining the *Bangko Sentral* from examining any
28 institution subject to supervision or examination by the
29 *Bangko Sentral*, unless there is convincing proof that the
30 action of the *Bangko Sentral* is plainly arbitrary and made
31 in bad faith and the petitioner or plaintiff files with the
32 clerk or judge of the court in which the action is pending a
33 bond executed in favor of the *Bangko Sentral*, in an amount
34 to be fixed by the court. The provisions of Rule 58
35 of the New Rules of Court insofar as they are applicable

1 and not inconsistent with the provisions of this Section
2 shall govern the issuance and dissolution of the
3 restraining order or injunction contemplated in this
4 Section.

5 SEC. 25. *Bank Deposits and Investments.* - Any
6 director, officer or stockholder who, together with
7 his related interest, contracts a loan or any form
8 of financial accommodation from: (1) his bank; or (2)
9 from a bank (a) which is a subsidiary of a bank holding
10 company of which both his bank and the lending bank are
11 subsidiaries or (b) in which a controlling proportion of
12 the shares are owned by the same interest that own a
13 controlling proportion of the shares of his bank, in excess
14 of five percent (5%) of the capital and surplus of the
15 bank, or in the maximum amount permitted by law,
16 whichever is lower, shall be required by the lending bank
17 to waive the secrecy of his deposits of whatever nature in
18 the lending bank: *Provided*, That any examination of said
19 deposits shall be subject to the conditions prescribed under
20 Republic Act No. 1405, as amended, and any information
21 obtained thereby shall be held strictly confidential and may
22 be used by the examiners only in connection with their
23 supervisory and examination responsibility or by the *Bangko*
24 *Sentral* in an appropriate legal action it has initiated
25 involving the deposit account.

26 SEC. 26. *Prohibitions.* - In addition to the
27 prohibitions found in Republic Act Nos. 3019 and 6713,
28 personnel of the *Bangko Sentral* are hereby prohibited from:
29 a) being an officer, director, lawyer or agent,
30 employee, consultant or stockholder, directly or
31 indirectly, of any institution subject to supervision
32 or examination by the *Bangko Sentral*, except non-stock
33 savings and loan associations and provident funds
34 organized exclusively for employees of the *Bangko*
35 *Sentral*, and except as otherwise provided in this Act;

1 b) directly or indirectly requesting or receiving
2 any gift, present or pecuniary or material benefit for
3 himself or another, from any institution subject to
4 supervision or examination by the *Bangko Sentral*;

5 c) revealing in any manner, except under orders of
6 the court, the Congress or any government office or
7 agency authorized by law, or under such conditions as
8 may be prescribed by the Monetary Board, information
9 relating to the condition or business of any such
10 institution. This prohibition shall not be held to
11 apply to the giving of information to the Monetary
12 Board or the Governor of the *Bangko Sentral*, or to any
13 person authorized by either of them, in writing, to
14 receive such information; and

15 d) borrowing from any institution subject to
16 supervision or examination by the *Bangko Sentral*
17 shall be prohibited unless said borrowings are
18 adequately secured, fully disclosed to the Monetary
19 Board, and shall be subject to such further rules and
20 regulations as the Monetary Board may prescribe:
21 *Provided, however,* That personnel of the supervising
22 and examining departments are prohibited from borrowing
23 from a bank under their supervision or examination.

24 SEC. 27. *Examination and Fees.* - The supervising and
25 examining department head, personally or by deputy, shall
26 examine the books of every banking institution once in
27 every twelve (12) months, and at such other times as
28 the Monetary Board by an affirmative vote of five (5)
29 members, may deem expedient and to make a report on the
30 same to the Monetary Board: *Provided,* That there shall be an
31 interval of at least twelve (12) months between annual
32 examinations.

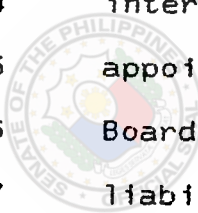
33 The bank concerned shall afford to the head of the
34 appropriate supervising and examining departments and to his
35 authorized deputies full opportunity to examine its books,
36 cash and available assets and general condition at any time

1 during office hours when requested to do so by the *Bangko*
2 *Sentral*: *Provided, however,* That none of the reports and
3 other papers relative to such examinations shall be open
4 to inspection by the public except insofar as such
5 publicity is incidental to the proceedings hereinafter
6 authorized or is necessary for the prosecution of
7 violations in connection with the business of such
8 institutions.

9 Banking and quasi-banking institutions which are
10 subject to examination by the *Bangko Sentral* shall
11 pay to the *Bangko Sentral*, within the first thirty (30)
12 days of each year, an annual fee in an amount equal to
13 a percentage as may be prescribed by the Monetary Board
14 of its average total assets during the preceding year
15 as shown on its end-of-month balance sheets, after
16 deducting cash on hand and amounts due from banks,
17 including the *Bangko Sentral* and banks abroad.

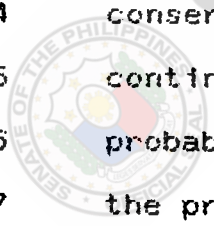
18 SEC. 28. *Appointment of Conservator.* - Whenever, on
19 the basis of a report submitted by the appropriate
20 supervising or examining department, the Monetary Board
21 finds that a bank or a quasi-bank is in a state of
22 continuing inability or unwillingness to maintain a
23 condition of liquidity deemed adequate to protect the
24 interest of depositors and creditors, the Monetary Board may
25 appoint a conservator with such powers as the Monetary
26 Board shall deem necessary to take charge of the assets,
27 liabilities, and the management thereof, reorganize the
28 management, collect all monies and debts due said
29 institution, and exercise all powers necessary to restore
30 its viability. The conservator shall report and be
31 responsible to the Monetary Board and shall have the power
32 to overrule or revoke the actions of the previous management
33 and board of directors of the bank or quasi-bank.

34 The conservator should be competent and knowledgeable
35 in bank operations and management. The conservatorship
36 shall not exceed one (1) year.



1 The conservator shall receive remuneration to be fixed
2 by the Monetary Board in an amount not to exceed two-thirds
3 (2/3) of what the president of the institution receives
4 in one (1) year, payable in twelve (12) equal monthly
5 payments: *Provided, That, if at any time within the one-*
6 *year period, the conservatorship is terminated on*
7 *the ground that the institution can operate on its*
8 *own, the conservator shall receive the balance of*
9 *the remuneration which he would have received up*
10 *to the end of the year; but if the*
11 *conservatorship is terminated on other grounds, the*
12 *conservator shall not be entitled to such remaining*
13 *balance. The Monetary Board may appoint a conservator*
14 *connected with the *Bangko Sentral*, in which case he shall*
15 *not be entitled to receive any remuneration or emolument*
16 *from the *Bangko Sentral* during the conservatorship. The*
17 *expenses attendant to the conservatorship shall be borne by*
18 *the bank or quasi-bank concerned.*

19 The Monetary Board shall terminate the conservatorship
20 when it is satisfied that the institution can continue to
21 operate on its own and the conservatorship is no longer
22 necessary. The conservatorship shall likewise be terminated
23 should the Monetary Board, on the basis of the report of the
24 conservator or of its own findings, determine that the
25 continuance in business of the institution would involve
26 probable loss to its depositors or creditors, in which case
27 the provisions of Section 29 shall apply.



1 SEC. 29. *Proceedings in Receivership and*
2 *Liquidation.* - Whenever, upon report of the head of the
3 supervising or examining department, the Monetary Board
4 finds that a bank or quasi-bank:

5 a) is unable to pay its liabilities as they become
6 due in the ordinary course of business; or

7 b) has insufficient realizable assets, as determined
8 by the *Bangko Sentral*, to meet its liabilities; or

9 c) cannot continue in business without involving
10 probable losses to its depositors or creditors; or

11 d) has willfully violated a cease-and-desist order
12 under Section 35 that has become final, involving acts or
13 transactions which amount to fraud or a dissipation of the
14 assets of the institution; in which cases, the Monetary
15 Board may summarily, and without need for prior hearing
16 forbid the institution from doing business in the
17 Philippines and designate the Philippine Deposit
18 Insurance Corporation as receiver of the banking
19 institution.

20 For a quasi-bank, any person of recognized competence
21 in banking or finance may be designated as receiver.

22 The receiver shall immediately gather and take charge
23 of all the assets and liabilities of the institution,
24 administer the same for the benefit of its creditors, and
25 exercise the general powers of a receiver under the
26 Revised Rules of Court but shall not, with the exception
27 of administrative expenditures, pay or commit any act
28 that will involve the transfer or disposition of any asset
29 of the institution: *Provided*, That the receiver may deposit
30 or place the funds of the institution in non-speculative
31 investments.

32 The receiver shall determine as soon as possible, but
33 not later than ninety (90) days from take-over, whether the
34 institution may be rehabilitated or otherwise placed in
35 such a condition so that it may be permitted to resume

615

1 business with safety to its depositors and creditors and the
2 general public: *Provided*, That any determination for the
3 resumption of business of the institution shall be
4 subject to prior approval of the Monetary Board.

5 If the receiver determines that the institution cannot
6 be rehabilitated or permitted to resume business in
7 accordance with the next preceding paragraph, the
8 Monetary Board shall notify in writing the board of
9 directors of its findings and direct the receiver to
10 proceed with the liquidation of the institution. The
11 receiver shall:

12 1) file *ex-parte* with the proper regional trial
13 court, and without requirement of prior notice or
14 any other action, a petition for assistance in the
15 liquidation of the institution pursuant to a
16 liquidation plan adopted by the Philippine Deposit
17 Insurance Corporation for general application to all
18 closed banks. In case of quasi-banks, the liquidation
19 plan shall be adopted by the Monetary Board.
20 Upon acquiring jurisdiction, the court shall,
21 upon motion by the receiver after due notice,
22 adjudicate disputed claims against the institution,
23 assist the enforcement of individual liabilities of
24 the stockholders, directors and officers, and decide
25 on other issues as may be material to implement the
26 liquidation plan adopted. The receiver shall pay
27 the cost of the proceedings from the assets of the
28 institution.

29 2) convert the assets of the institution to
30 money, dispose of the same to creditors and other
31 parties, for the purpose of paying the debts of
32 such institution in accordance with the rules on
33 concurrence and preference of credit under the Civil
34 Code of the Philippines and he may, in the name of the
35 institution, and with the assistance of counsel as he
36 may retain, institute such actions as may be necessary



1 to collect and recover accounts and assets of, or
2 defend any action against, the institution.

3 The assets of an institution under receivership
4 or liquidation shall be deemed in *custodia legis* in
5 the hands of the receiver and shall, from the
6 moment the institution was placed under such
7 receivership or liquidation, be exempt from any order
8 of garnishment, levy, attachment, or execution.

9 The actions of the Monetary Board taken under
10 this Section or under Section 28 of this Act shall be
11 final and executory, and may not be restrained or
12 set aside by the court except on petition for
13 *certiorari* on the ground that the action taken was
14 in excess of jurisdiction or with such grave abuse
15 of discretion as to amount to lack or excess of
16 jurisdiction. The petition for *certiorari* may
17 only be filed by the stockholders of record
18 representing the majority of the capital stock within
19 ten (10) days from receipt by the Board of
20 Directors of the institution of the order directing
21 receivership, liquidation or conservatorship.

22 The designation of a conservator under Section
23 28 of this Act or the appointment of a receiver under
24 this Section shall be vested exclusively with the
25 Monetary Board. Furthermore, the designation of a
26 conservator is not a precondition to the
27 designation of a receiver.

28 SEC. 30. *Distribution of Assets.* - In case of
29 liquidation of a bank or quasi-bank, after payment of the
30 cost of proceedings, including reasonable expenses and fees
31 of the receiver to be allowed by the court, the receiver
32 shall pay the debts of such institution, under order of the
33 Court, in accordance with the rules on concurrence and
34 preference of credit as provided in the Civil Code except
35 that the claims of depositors shall have the highest
36 priority.

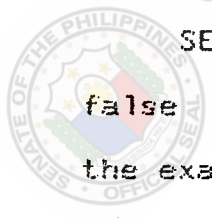


1 SEC. 31. *Disposition of Revenues and Earnings.* - All
2 revenues and earnings realized by the receiver in winding
3 up the affairs and administering the assets of any bank or
4 quasi-bank within the purview of this Act shall be used to
5 pay the costs, fees and expenses mentioned in the preceding
6 Section, salaries of such personnel whose employment is
7 rendered necessary in the discharge of the liquidation,
8 together with other additional expenses caused thereby. The
9 balance of revenues and earnings, after the payment of all
10 said expenses, shall form part of the assets available for
11 payment to creditors.

12 SEC. 32. *Refusal to Make Reports or Permit*
13 *Examination.* - Any officer, owner, agent, manager, director
14 or officer-in-charge of any institution subject to the
15 supervision or examination by the *Bangko Sentral* within the
16 purview of this Act who, being required in writing by the
17 Monetary Board or by the head of the supervising and
18 examining department willfully refuses to file the required
19 report or permit any lawful examination into the affairs of
20 such institution shall be punished by a fine of not less
21 than Thirty thousand pesos (P30,000.00) nor more than One
22 hundred thousand pesos (P100,000.00) or by imprisonment of
23 not less than one (1) year nor more than five (5) years,
24 or both, in the discretion of the court.

25 SEC. 33. *False Statement.* - The willful making of a
26 false or misleading statement to the Monetary Board or to
27 the examiners of the *Bangko Sentral* shall be punished by a
28 fine of not less than Fifty thousand pesos (P50,000.00)
29 nor more than Two hundred thousand pesos (P200,000.00), or
30 by imprisonment of not more than five (5) years, or both,
31 at the discretion of the court.

32 SEC. 34. *Proceedings Upon Violation of this Act and*
33 *Other Banking Laws, Rules, Regulations, Orders or*
34 *Instructions.* - Whenever a bank or quasi-bank, or whenever
35 any person or entity willfully violates this Act or other
36 pertinent banking laws being enforced or implemented by



1 the *Bangko Sentral* or any order, instruction, rule or
2 regulation issued by the Monetary Board, the person or
3 persons responsible for such violation shall unless
4 otherwise provided in this Act be punished by a fine of not
5 less than Fifty thousand pesos (P50,000.00) nor more than
6 Two hundred thousand pesos (P200,000.00) or by imprisonment
7 of not less than two (2) years nor more than ten (10)
8 years, or both, at the discretion of the court.

9 Whenever a bank or quasi-bank persists in carrying on
10 its business in an unlawful or unsafe manner, the Board may
11 without prejudice to the penalties provided in the preceding
12 paragraph of this Section and the administrative sanctions
13 provided in Section 35 of this Act, take action under
14 Section 29 of this Act.

15 SEC. 35. *Administrative Sanctions on Banks and*
16 *Quasi-banks.* - Without prejudice to the criminal sanctions
17 against the culpable persons provided in Sections 32, 33,
18 and 34 of this Act, the Monetary Board may at its
19 discretion, impose upon any bank or quasi-bank, their
20 directors and/or officers, for any willful violation of its
21 charter or by-laws, willful delay in the submission of
22 reports or publications thereof as required by law, rules
23 and regulations; any refusal to permit examination into the
24 affairs of the institution; any willful making of a false or
25 misleading statement to the Board or the appropriate
26 supervising and examining department or its examiners; any
27 willful failure or refusal to comply with, or violation of,
28 any banking law or any order, instruction or regulation
29 issued by the Monetary Board, or any order, instruction or
30 ruling by the Governor; or any commission of irregularities,
31 and/or conducting business in an unsafe or unsound manner as
32 may be determined by the Monetary Board, the following
33 administrative sanctions, whenever applicable:

34 a) fines in amounts as may be determined by
35 the Monetary Board to be appropriate, but in no case
36 to exceed Thirty thousand pesos (P30,000.00) a day for

1 each violation, taking into consideration the
2 attendant circumstances, such as the nature and
3 gravity of the violation or irregularity and the size
4 of the bank or quasi-bank;

5 b) suspension of rediscounting privileges or
6 access to *Bangko Sentral* credit facilities;

7 c) suspension of lending or foreign exchange
8 operations or authority to accept new deposits or make
9 new investments;

10 d) suspension of interbank clearing privileges;
11 and/or

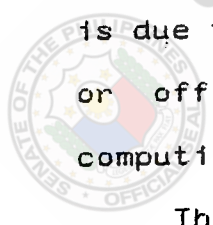
12 e) revocation of quasi-banking license.

13 Resignation or termination from office shall not exempt
14 such director or officer from administrative or criminal
15 sanctions.

16 The Monetary Board may, whenever warranted by
17 circumstances preventively suspend any director or officer
18 of a bank or quasi-bank pending an investigation:
19 *Provided*, That should the case be not finally decided by
20 the *Bangko Sentral* within a period of one hundred twenty
21 (120) days after the date of suspension, said director or
22 officer shall be reinstated in his position: *Provided*,
23 *further*, That when the delay in the disposition of the case
24 is due to the fault, negligence or petition of the director
25 or officer, the period of delay shall not be counted in
26 computing the period of suspension herein provided.

27 The above administrative sanctions need not be applied
28 in the order of their severity.

29 Whether or not there is an administrative proceeding,
30 if the institution and/or the directors and/or officers
31 concerned continue with or otherwise persist in the
32 commission of the indicated practice or violation, the
33 Monetary Board may issue an order requiring the
34 institution and/or the directors and/or officers concerned
35 to cease and desist from the indicated practice or
36 violation, and may further order that immediate action be



1 taken to correct the conditions resulting from such practice
2 or violation. The cease and desist order shall be
3 immediately effective upon service on the respondents.

4 The respondents shall be afforded an opportunity to
5 defend their action in a hearing before the Monetary Board
6 or any committee chaired by any Monetary Board member
7 created for the purpose, upon request made by the
8 respondents within five (5) days from their receipt of
9 the order. If no such hearing is requested within said
10 period, the order shall be final. If a hearing is
11 conducted, all issues shall be determined on the basis of
12 records, after which the Monetary Board may either
13 reconsider or make final its order.

14 The Governor is hereby authorized, at his discretion,
15 to impose upon banking institutions, for any failure to
16 comply with the requirements of law, Monetary Board
17 regulations and policies, and/or instructions issued by
18 the Monetary Board or by the Governor, fines not in excess
19 of Ten thousand pesos (P 10,000.00) a day for each
20 violation, the imposition of which shall be final and
21 executory until reversed, modified or lifted by the
22 Monetary Board on appeal.

23 C. OTHER DEPARTMENTS OF THE BANGKO SENTRAL

24 SEC. 36. *Operating Departments of the Bangko*
25 *Sentral.* - The Monetary Board shall, in accordance with its
26 authority under this Act, determine and provide for such
27 operating departments and other offices, including a public
28 information office, of the *Bangko Sentral* as it deems
29 convenient for the proper and efficient conduct of the
30 operations and the accomplishment of the objectives of the
31 *Bangko Sentral*. The functions and duties of such operating
32 departments and other offices shall be determined by the
33 Monetary Board.

34 ARTICLE V.-- Reports and Publications

35 SEC. 37. *Reports and Publications.* - The *Bangko*
36 *Sentral* shall publish a general balance sheet showing the

1 volume and composition of its assets and liabilities as of
2 the last working day of the month within sixty (60) days
3 after the end of each month except for the month of
4 December, which shall be submitted within ninety (90)
5 days after the end thereof.

6 The Monetary Board shall publish and submit the
7 following reports to the President and to Congress:

8 a) not later than ninety (90) days after the end
9 of each quarter, an analysis of economic and
10 financial developments, including the condition of
11 net international reserves and monetary aggregates;

12 b) within ninety (90) days after the end of the
13 year, the preceding year's budget and profit and
14 loss statement of the *Bangko Sentral* showing in
15 reasonable detail the result of its operations;

16 c) one hundred twenty (120) days after the end
17 of each semester, a review of the state of the
18 financial system; and

19 d) as soon as practicable, abnormal movements
20 in monetary aggregates and the general price
21 level, and, not later than seventy-two (72) hours
22 after they are taken, remedial measures in response
23 to such abnormal movements.

24 SEC. 38. *Annual Report.* - Before the end of March of
25 each year, the *Bangko Sentral* shall publish and submit to
26 the President and the Congress an annual report on the
27 condition of the *Bangko Sentral* including a review of
28 the policies and measures adopted by the Monetary
29 Board during the past year and an analysis of the economic
30 and financial circumstances which gave rise to said policies
31 and measures.

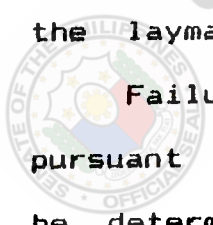
32 The annual report shall also include a statement of the
33 financial condition of the *Bangko Sentral* and a statistical
34 appendix which shall present, as a minimum, the following
35 data:

- 1 a) the monthly movement of monetary aggregates
- 2 and their components;
- 3 b) the monthly movement of purchases and sales
- 4 of foreign exchange and of the international reserves
- 5 of the *Bangko Sentral*;
- 6 c) the balance of payments of the Philippines;
- 7 d) monthly indices of consumer prices and of
- 8 import and export prices;
- 9 e) the monthly movement, in summary form, of
- 10 exports and imports, by volume and value;
- 11 f) the monthly movement of the accounts of the
- 12 *Bangko Sentral* and of other banks;
- 13 g) the principal data on Government receipts
- 14 and expenditures and on the status of the public debt,
- 15 both domestic and foreign; and
- 16 h) the texts of the major legal and administrative
- 17 measures adopted by the Government and Monetary Board
- 18 during the year which relate to the functions or
- 19 operations of the *Bangko Sentral* or of the financial
- 20 system.

21 The *Bangko Sentral* shall publish another version
22 of the annual report in terms understandable to
23 the layman.

24 Failure to comply with the reportorial requirements
25 pursuant to this Article without justifiable reason as may
26 be determined by the Monetary Board shall cause the
27 withholding of the salary of the personnel concerned until
28 such requirements are complied with.

29 SEC. 39. *Signatures on Statements.* - The balance sheets
30 and other financial statements of the *Bangko Sentral* shall
31 be signed by the officers responsible for their preparation,
32 by the Governor, and by the auditor of the *Bangko Sentral*.



1 ARTICLE VI. - Profits, Losses, and Special Accounts

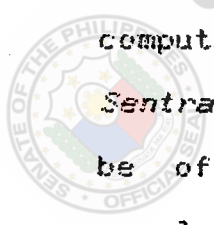
2 SEC. 40. *Fiscal Year.* - The fiscal year of the *Bangko*
3 *Sentral* shall begin on January first and end on December
4 thirty-first of each year.

5 SEC. 41. *Computation of Profits and Losses.* - Within
6 the first thirty (30) days following the end of each year,
7 the *Bangko Sentral* shall determine its net profits or
8 losses. In the calculation of net profits, the *Bangko*
9 *Sentral* shall make adequate allowance or establish adequate
10 reserves for bad and doubtful accounts.

11 SEC. 42. *Distribution of Net Profits.* - Within the
12 first sixty (60) days following the end of each fiscal year,
13 the Monetary Board shall determine and carry out the
14 distribution of the net profits, in accordance with the
15 following rule:

16 Fifty percent (50%) of the net profits shall be
17 carried to surplus and the remaining fifty percent (50%)
18 shall revert back to the national treasury, except as
19 otherwise provided in the transitory provisions of this Act.

20 SEC. 43. *Revaluation Profits and Losses.* - Profits or
21 losses arising from any revaluation of the *Bangko Sentral's*
22 net assets or liabilities in gold or foreign currencies with
23 respect to the Philippine peso shall not be included in the
24 computation of the annual profits and losses of the *Bangko*
25 *Sentral*. Any profits or losses arising in this manner shall
26 be offset by any amounts which, as a consequence of such
27 revaluations, are owed by the Philippines to any
28 international or regional inter-governmental financial
29 institution of which the Philippines is a member or are owed
30 by these institutions to the Philippines. Any remaining
31 profit or loss shall be carried in a special frozen account
32 which shall be named "Revaluation of International Reserve"
33 and the net balance of which shall appear either among the
34 liabilities or among the assets of the *Bangko Sentral*,



1 depending on whether the revaluations have produced net
2 profits or net losses.

3 The Revaluation of International Reserve account shall
4 be neither credited nor debited for any purposes other than
5 those specifically authorized in this Section.

6 SEC. 44. *Suspense Accounts.* - Sections 43 and 43-A
7 of Republic Act No. 265, as amended, creating the Monetary
8 Adjustment Account (MAA) and the Exchange Stabilization
9 Adjustment Account (ESAA), respectively, are hereby
10 repealed. Amounts outstanding as of the effective date of
11 this Act based on these accounts shall continue to be for
12 the account of the Central Bank and shall be governed by
13 the transitory provisions of this Act.

14 The Revaluation of International Reserve (RIR) account
15 as of the effective date of this Act of the Central Bank
16 shall continue to be for the account of the same entity and
17 shall be governed by the provisions of Section 44 of
18 Republic Act No. 265, as amended, until otherwise provided
19 for in accordance with the transitory provisions of this
20 Act.

21 ARTICLE VII. - The Auditor

22 SEC. 45. *Appointment and Personnel.* - The Chairman of
23 the Commission on Audit shall act as the *ex officio* Auditor
24 of the *Bangko Sentral* and, as such he is empowered and
25 authorized to appoint a representative who shall be the
26 Auditor of the *Bangko Sentral* and, in accordance with law,
27 fix his salary, and to appoint and fix the salaries and
28 number of personnel to assist said representative in his
29 work. The salaries and other emoluments shall be paid by
30 the Commission. The Auditor of the *Bangko Sentral* and
31 personnel under him may be removed only by the Chairman of
32 the Commission.

33 The representative of the Chairman of the Commission
34 must be a certified public accountant with at least ten
35 years experience as such. No relative of any member of the

1 Monetary Board or the Chairman of the Commission within the
2 sixth degree of consanguinity or affinity shall be appointed
3 such representative.

4 CHAPTER II. - THE *BANGKO SENTRAL*

5 AND THE MEANS OF PAYMENT

6 ARTICLE I. - The Unit of Monetary Value

7 SEC. 46. The *Piso*. - The unit of monetary value in the
8 Philippines is the "*piso*," which is represented by the sign
9 "P."

10 The *piso* is divided into one hundred (100) equal parts
11 called "sentimo," which are represented by the sign "s."

12 ARTICLE II. - Issue of Means of Payment

13 A. CURRENCY

14 SEC. 47. *Definition of Currency*. - The word
15 "currency" is hereby defined, for the purposes of this Act,
16 as meaning all Philippine notes and coins issued or
17 circulating in accordance with the provisions of this Act.

18 SEC. 48. *Exclusive Issue Power*. - The *Bangko Sentral*
19 shall have the sole power and authority to issue currency,
20 within the territory of the Philippines. No other person or
21 entity, public or private, may put into circulation notes,
22 coins or any other object or document which, in the opinion
23 of the Monetary Board, might circulate as currency, nor
24 reproduce or imitate the facsimiles of *Bangko Sentral* notes
25 without prior authority from the *Bangko Sentral*.

26 The Monetary Board may issue such regulations as it may
27 deem advisable in order to prevent the circulation of
28 foreign currency or of currency substitutes as well as to
29 prevent the reproduction of facsimiles of *Bangko Sentral*
30 notes.

31 The *Bangko Sentral* shall have the authority to
32 investigate, make arrests, conduct searches and seizures in
33 accordance with law, for the purpose of maintaining the
34 integrity of the currency.

629

626

1 Violation of this provision or of any regulation issued
2 by the *Bangko Sentral* pursuant thereto shall constitute an
3 offense punishable by imprisonment of not less than five (5)
4 years and not more than ten (10) years. In case the revised
5 Penal Code provides for a greater penalty than that penalty
6 shall be imposed.

7 SEC. 49. *Liability for Notes and Coins* - Notes and
8 coins issued by the *Bangko Sentral* shall be liabilities of
9 the *Bangko Sentral* and may be issued only against, and in
10 amounts not exceeding, the assets of the *Bangko Sentral*.
11 Said notes and coins shall be a first and paramount lien on
12 all assets of the *Bangko Sentral*.

13 The *Bangko Sentral's* holdings of its own notes and
14 coins shall not be considered as part of its currency issue
15 and, accordingly, shall not form part of the assets or
16 liabilities of the *Bangko Sentral*.

17 SEC. 50. *Legal Tender Power*. - All notes and coins
18 issued by the *Bangko Sentral* shall be fully guaranteed by
19 the Government of the Republic of the Philippines and shall
20 be legal tender in the Philippines for all debts, both
21 public and private: *Provided, however, That, unless*
22 *otherwise fixed by the Monetary Board, coins shall be legal*
23 *tender in amounts not exceeding Fifty pesos (P50.00) for*
24 *denominations of twenty-five (25) centavos and above, and*
25 *in amounts not exceeding Twenty pesos (P20.00) for*
26 *denominations of ten (10) centavos or less.*

27 SEC. 51. *Characteristics of the Currency*. -
28 The Monetary Board, with the approval of the President of
29 the Philippines, shall prescribe the denominations,
30 dimensions, designs, inscriptions and other characteristics
31 of notes issued by the *Bangko Sentral*: *Provided, however,*
32 *That said notes shall state that they are liabilities of*
33 *the Bangko Sentral and are fully guaranteed by the*
34 *Government of the Republic of the Philippines. Said notes*
35 *shall bear the signatures, in facsimile, of the*

1 President of the Philippines and of the Governor of the
2 *Bangko Sentral*.

3 Similarly, the Monetary Board, with the approval of the
4 President of the Philippines, shall prescribe the weight,
5 fineness, designs, denominations and other characteristics
6 of the coins issued by the *Bangko Sentral*. In the minting
7 of coins, the Monetary Board shall give full consideration
8 to the availability of suitable metals and to their relative
9 prices and cost of minting.

10 SEC. 52. *Printing of Notes and Minting of Coins.* -

11 The Monetary Board shall prescribe the amounts of notes and
12 coins to be printed and minted, respectively, and the
13 conditions to which the printing of notes and the minting of
14 coins shall be subject. The Monetary Board shall have the
15 authority to contract institutions, mints or firms for such
16 operations.

17 All expenses incurred in the printing of notes and the
18 minting of coins shall be for the account of the *Bangko*
19 *Sentral*.

20 SEC. 53. *Interconvertibility of Currency.* - The

21 *Bangko Sentral* shall exchange, on demand and without
22 charge, Philippine currency of any denomination for
23 Philippine notes and coins of any other denomination
24 requested. If, for any reason the *Bangko Sentral* is
25 temporarily unable to provide notes or coins of the
26 denominations requested it shall meet its obligations by
27 delivering notes and coins of the denominations which most
28 nearly approximate those requested.

29 SEC. 54. *Replacement of Currency Unfit for*

30 *Circulation.* - The *Bangko Sentral* shall withdraw from
31 circulation and shall demonetize all notes and coins which
32 for any reason whatsoever are unfit for circulation and
33 shall replace them by adequate notes and coins: *Provided,*
34 *however,* That the *Bangko Sentral* shall not replace notes
35 and coins the identification of which is impossible, coins

632

1 which show signs of filing, clipping or perforation, and
2 notes which have lost more than two-fifths (2/5) of their
3 surface or all of the signatures inscribed thereon. Notes
4 and coins in such mutilated condition shall be withdrawn
5 from circulation and demonetized without compensation to the
6 bearer.

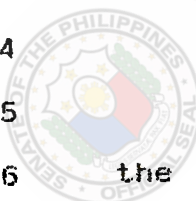
7 SEC. 55. *Retirement of Old Notes and Coins.* - The
8 *Bangko Sentral* may call in for replacement notes of any
9 series or denomination which are more than five (5) years
10 old and coins which are more than ten (10) years old.

11 Notes and coins called in for replacement in accordance
12 with this provision shall remain legal tender for a period
13 of one year from the date of call. After this period, they
14 shall cease to be legal tender but during the following
15 year, or for such longer period as the Monetary Board may
16 determine, they may be exchanged at par and without charge
17 in the *Bangko Sentral* and by agents duly authorized by the
18 *Bangko Sentral* for this purpose. After the expiration of
19 this latter period, the notes and coins which have not been
20 exchanged shall cease to be a liability of the *Bangko*
21 *Sentral* and shall be demonetized. The *Bangko Sentral*
22 shall also demonetize all notes and coins which have been
23 called in and replaced.

24 B. DEMAND DEPOSITS

25 SEC. 56. *Definition.* - For the purposes of this Act,
26 the term "demand deposits" means all those liabilities of
27 the *Bangko Sentral* and of other banks which are denominated
28 in Philippine currency and are subject to payment in legal
29 tender upon demand by the presentation of checks.

30 SEC. 57. *Issue of Demand Deposits.* - Only banks duly
31 authorized to do so may accept funds or create liabilities
32 payable in pesos upon demand by the presentation of checks,
33 and such operations shall be subject to the control of the
34 Monetary Board in accordance with the powers granted it with
35 respect thereto under this Act.



629

1 SEC. 58. *Legal Character.* - Checks representing demand
2 deposits do not have legal tender power and their acceptance
3 in the payment of debts, both public and private, is at the
4 option of the creditor: *Provided, however,* That a check
5 which has been cleared and credited to the account of the
6 creditor shall be equivalent to a delivery to the creditor
7 of cash in an amount equal to the amount credited to his
8 account.

9 CHAPTER III. - GUIDING PRINCIPLES OF MONETARY

10 ADMINISTRATION BY THE BANGKO SENTRAL

11 ARTICLE I. - Domestic Monetary Stabilization

12 SEC. 59. *Guiding Principle.* - The Monetary Board shall
13 endeavor to control any expansion or contraction in monetary
14 aggregates which is prejudicial to the attainment or
15 maintenance of price stability.

16 SEC. 60. *Power to Define Terms.* - For purposes of this
17 Article and of this Act, the Monetary Board shall formulate
18 definitions of monetary aggregates, credit and prices and
19 shall make public such definitions and any changes thereof.

20 ARTICLE II. - International Reserves

21 SEC. 61. *International Reserves.* - In order to maintain
22 the international stability and convertibility of the
23 Philippine peso, the *Bangko Sentral* shall maintain
24 international reserves adequate to meet any foreseeable net
25 demands on the *Bangko Sentral* for foreign currencies.

26 In judging the adequacy of the international reserves,
27 the Monetary Board shall be guided by the prospective
28 receipts and payments of foreign exchange by the
29 Philippines. The Board shall give special attention to the
30 volume and maturity of the *Bangko Sentral's* own liabilities
31 in foreign currencies, to the volume and maturity of the
32 foreign exchange assets and liabilities of other banks
33 operating in the Philippines and, insofar as they are known
34 or can be estimated, the volume and maturity of the foreign
35 exchange assets and liabilities of all other persons and
36 entities in the Philippines.

630

1 SEC. 62. *Composition of the International*
2 *Reserves.* - The international reserves of the *Bangko*
3 *Sentral* may include but shall not be limited to the
4 following assets:

5 a) gold; and

6 b) assets in foreign currencies in the form of:
7 documents and instruments customarily employed for the
8 international transfer of funds; demand and time deposits in
9 central banks, treasuries and commercial banks abroad;
10 foreign government securities; and foreign notes and coins.

11 The Monetary Board shall endeavor to hold the foreign
12 exchange resources of the *Bangko Sentral* in freely
13 convertible currencies; moreover, the Board shall give
14 particular consideration to the prospects of continued
15 strength and convertibility of the currencies in which the
16 reserve is maintained, as well as to the anticipated demands
17 for such currencies. The Monetary Board shall issue
18 regulations determining the other qualifications which
19 foreign exchange assets must meet in order to be included in
20 the international reserves of the *Bangko Sentral*.

21 The *Bangko Sentral* shall be free to convert any of the
22 assets in its international reserves into other assets as
23 described in subsections (a) and (b) of this Section.

24 CHAPTER IV. INSTRUMENTS OF *BANGKO SENTRAL* ACTION

25 ARTICLE I. - General Criterion

26 SEC. 63. *Means of Action.* - In order to achieve
27 the primary objective of price stability, the Monetary Board
28 shall rely on its moral influence and the powers granted to
29 it under this Act for the management of monetary aggregates.

30 ARTICLE II. - Operations in Gold and Foreign Exchange

31 SEC. 64. *Purchases and Sales of Gold.* - The
32 *Bangko Sentral* may buy and sell gold in any form, subject to
33 such regulations as the Monetary Board may issue.



1 The purchases and sales of gold authorized by this
2 Section shall be made in the national currency at the
3 prevailing international market price as determined by the
4 Monetary Board.

5 SEC. 65. *Purchases and Sales of Foreign Exchange.* -

6 The *Bangko Sentral* may buy and sell foreign notes and
7 coins, and documents and instruments of types customarily
8 employed for the international transfer of funds. The
9 *Bangko Sentral* may engage in future exchange operations.

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

12 a) banking institutions operating in the
13 Philippines;

14 b) the Government, its political subdivisions and
15 instrumentalities;

16 c) foreign or international financial
17 institutions;

18 d) foreign governments and their
19 instrumentalities; and

20 e) other entities or persons which the
21 Monetary Board is hereby empowered to authorize as
22 foreign exchange dealers, subject to such rules and
23 regulations as the Monetary Board shall prescribe.

24 In order to maintain the convertibility of the peso,
25 the *Bangko Sentral* may, at the request of any banking
26 institution operating in the Philippines, buy any quantity
27 of foreign exchange offered, and sell any quantity of
28 foreign exchange demanded, by such institution, provided
29 that the foreign currencies so offered or demanded are
30 freely convertible into gold or United States dollars. This
31 requirement shall not apply to demands for foreign notes and
32 coins.

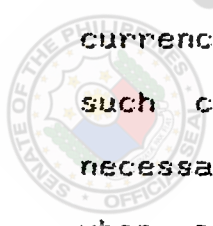
33 The *Bangko Sentral* shall effect its exchange
34 transactions between foreign currencies and the Philippine
35 peso at the rates determined in accordance with the
36 provisions of Section 68.

676

1 SEC. 66. *Emergency Restrictions on Exchange*
2 *Operations.* - In order to achieve the primary objective of
3 the *Bangko Sentral* as set forth in Section 2 of this Act,
4 or protect the international reserves of the *Bangko Sentral*
5 in the imminence of, or during an exchange crisis, or in
6 time of national emergency and to give the Monetary Board
7 and the Government time in which to take constructive
8 measures to forestall, combat, or overcome such a crisis or
9 emergency, the Monetary Board, with the concurrence of at
10 least five (5) of its members and with the approval of the
11 President of the Philippines may temporarily suspend or
12 restrict sales of exchange by the *Bangko Sentral*, and may
13 subject all transactions in gold and foreign exchange to
14 license by the *Bangko Sentral*, and may require that any
15 foreign exchange thereafter obtained by any person residing
16 or entity operating in the Philippines be delivered to the
17 *Bangko Sentral* or to any bank or agent designated by the
18 *Bangko Sentral* for the purpose, at the effective exchange
19 rate or rates: *Provided, however,* That foreign currency
20 deposits made under Republic Act No. 6426 shall be exempt
21 from these requirements.

22 SEC. 67. *Acquisition of Inconvertible Currencies.* - The
23 *Bangko Sentral* shall avoid the acquisition and holding of
24 currencies which are not freely convertible, and may acquire
25 such currencies in an amount exceeding the minimum balance
26 necessary to cover current demands for said currencies only
27 when, and to the extent that, such acquisition is considered
28 by the Monetary Board to be in the national interest. The
29 Monetary Board shall determine the procedures which shall
30 apply to the acquisition and disposition by the *Bangko*
31 *Sentral* of foreign exchange which is not freely utilizable
32 in the international market.

33 SEC. 68. *Exchange Rates.* - The Monetary Board
34 shall determine the exchange rate policy of the country.



633

1 The Monetary Board shall determine the rates at which
2 the *Bangko Sentral* shall buy and sell spot exchange, and
3 shall establish deviation limits from the effective exchange
4 rate or rates as it may deem proper. The *Bangko Sentral*
5 shall not collect any additional commissions or charges of
6 any sort, other than actual telegraphic or cable costs
7 incurred by it.

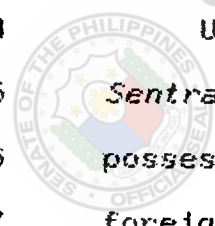
8 The Monetary Board shall similarly determine the rates
9 for other types of foreign exchange transactions by the
10 *Bangko Sentral*, including purchases and sales of foreign
11 notes and coins, but the margins between the effective
12 exchange rates and the rates thus established may not exceed
13 the corresponding margins for spot exchange transactions by
14 more than the additional costs or expenses involved in each
15 type of transactions.

16 SEC. 69. *Operations with Foreign Entities.* -
17 The Monetary Board may authorize the *Bangko Sentral* to
18 grant loans to and receive loans from foreign banks and
19 other foreign or international entities, both public and
20 private, and may engage in such other operations with these
21 entities as are in the national interest and are appropriate
22 to its character as a central bank. The *Bangko Sentral*
23 may also act as agent or correspondent for such entities.

24 Upon authority of the Monetary Board, the *Bangko*
25 *Sentral* may pledge any gold or other assets which it
26 possesses as security against loans which it receives from
27 foreign or international entities.

28 ARTICLE III. - Regulation of Foreign Exchange
29 Operations of the Banks

30 SEC. 70. *Foreign Exchange Holdings of the Banks.* - In
31 order that the *Bangko Sentral* may at all times have foreign
32 exchange resources sufficient to enable it to maintain the
33 international stability and convertibility of the peso, or
34 in order to promote the domestic investment of bank
35 resources, the Monetary Board may require the banks to sell



1 to the *Bangko Sentral* or to other banks all or part of their
2 surplus holdings of foreign exchange. Such transfers may be
3 required for all foreign currencies or for only certain of
4 such currencies, according to the decision of the Monetary
5 Board. The transfers shall be made at the rates established
6 under the provisions of Section 68 of this Act.

7 The Monetary Board may, whenever warranted, determine
8 the net assets and net liabilities of banks and shall, in
9 making such a determination, take into account the bank's
10 networth, outstanding liabilities, actual and contingent, or
11 such other financial or performance ratios as may be
12 appropriate under the circumstances. Any such determination
13 of net assets and net liabilities shall be applied to all
14 banks uniformly and without discrimination.

15 SEC. 71. *Requirement of Balanced Currency Posi-*
16 *tion.* - The Monetary Board may require the banks to
17 maintain a balanced position between their assets and
18 liabilities in Philippine pesos or in any other currency or
19 currencies in which they operate. The banks shall be granted
20 a reasonable period of time in which to adjust their
21 currency positions to any such requirement.

22 The powers granted under this Section shall be
23 exercised only when special circumstances make such action
24 necessary, in the opinion of the Monetary Board, and shall
25 be applied to all banks alike and without discrimination.

26 SEC. 72. *Regulation of Non-Spot Exchange Transac-*
27 *tions.* - In order to restrain the banks from
28 taking speculative positions with respect to future
29 fluctuations in foreign exchange rates, the Monetary Board
30 may issue such regulations governing bank purchases and
31 sales of non-spot exchange as it may consider necessary for
32 said purpose.

33 SEC. 73. *Other Exchange Profits and Losses.* - The
34 banks shall bear the risks of noncompliance with the terms
35 of the foreign exchange documents and instruments which they

1 buy or sell, and shall also bear any other typically
2 commercial or banking risks, including exchange risks not
3 assumed by the *Bangko Sentral* under the provisions of
4 the preceding Section.

5 SEC. 74. *Information on Exchange Operations.* - The
6 banks shall report to the *Bangko Sentral* the volume and
7 composition of their purchases and sales of gold and foreign
8 exchange each day, and must furnish such additional
9 information as the *Bangko Sentral* may request with
10 reference to the movements in their accounts in foreign
11 currencies.

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

23 ARTICLE IV. - Loans to Banking and Other

24 Financial Institution

25 A. CREDIT POLICY

26 SEC. 75. *Guiding Principles.* - The rediscounts,
27 discounts, loans and advances which the *Bangko Sentral* is
28 authorized to extend to banking institutions under the
29 provisions of the present article of this Act shall be used
30 to influence the volume of credit consistent with the
31 objective of price stability.

32 B. NORMAL CREDIT OPERATIONS

33 SEC. 76. *Authorized Types of Operations.* - Subject to
34 the principle stated in the preceding Section of this
35 Act, the *Bangko Sentral* may normally and regularly carry



1 on the following credit operations with banking
2 institutions operating in the Philippines:

3 a) commercial credits. - The *Bangko Sentral* may
4 rediscount, discount, buy and sell bills, acceptances,
5 promissory notes and other credit instruments with
6 maturities of not more than one hundred eighty (180)
7 days from the date of their rediscount, discount
8 or acquisition by the *Bangko Sentral* and
9 resulting from transactions related to:

10 1) the importation, exportation, purchase or
11 sale of readily saleable goods and products, or
12 their transportation within the Philippines; or

13 2) the storing of nonperishable goods and
14 products which are duly insured and deposited,
15 under conditions assuring their preservation, in
16 authorized bonded warehouses or in other places
17 approved by the Monetary Board.

18 b) production credits. - The *Bangko Sentral*
19 may rediscount, discount, buy and sell bills,
20 acceptances, promissory notes and other credit
21 instruments having maturities of not more than three
22 hundred sixty (360) days from the date of their
23 rediscount, discount or acquisition by the *Bangko*
24 *Sentral* and resulting from transactions related to the
25 production or processing of agricultural, animal,
26 mineral, or industrial products. Documents or
27 instruments acquired in accordance with this
28 subsection shall be secured by a pledge of the
29 respective crops or products: *Provided, however,* That
30 the crops or products need not be pledged to secure
31 the documents if the original loan granted by the
32 *Bangko Sentral* is secured by a lien or mortgage on
33 real estate property seventy percent (70%) of the
34 appraised value of which equals or exceeds the amount
35 of the loan granted.



1 c) other credits. - Special credit instruments
2 not otherwise rediscountable under the immediately
3 preceding subsections (a) and (b), may be eligible for
4 rediscounting in accordance with rules and regulations
5 which the *Bangko Sentral* shall prescribe. Whenever
6 necessary, the *Bangko Sentral* shall provide funds from
7 non-inflationary sources: *Provided, however,* That the
8 Monetary Board shall prescribe additional safeguards
9 for disbursing these funds.

10 d) advances. - The *Bangko Sentral* may grant
11 advances against the following kinds of collaterals for
12 fixed periods which, with the exception of advances
13 against the collateral named in clause (4) of the
14 present subsection, shall not exceed one hundred eighty
15 (180) days:

16 1) gold coins or bullion;

17 2) securities representing obligations of
18 the *Bangko Sentral* or of other domestic credit
19 institutions of recognized solvency;

20 3) the credit instruments to which
21 reference is made in subsection (a) of this
22 Section;

23 4) the credit instrument to which reference
24 is made in subsection (b) of this Section, for
25 periods which shall not exceed three hundred sixty
26 (360) days;

27 5) utilized portions of advances in current
28 account covered by regular overdraft agreements
29 related to operations included under subsections
30 (a) and (b) of this Section, and certified as to
31 amount and liquidity by the institution soliciting
32 the advance;

33 6) negotiable treasury bills, certificates
34 of indebtedness, notes and other negotiable
35 obligations of the Government maturing within
36 three (3) years from the date of the advance; and



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

7 The rediscounts, discounts, loans and advances made
8 in accordance with the provisions of this Section may not be
9 renewed or extended unless extraordinary circumstances
10 fully justify such renewal or extension.

11 Advances made against the collateral name in clauses
12 (6) and (7) of subsection (d) of this Section may not
13 exceed eighty (80%) percent of the current market value of
14 the collateral.

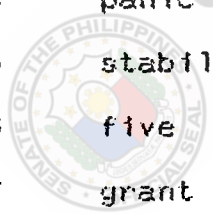
15 C. SPECIAL CREDIT OPERATION

16 SEC. 77. *Loans for Liquidity Purposes.* - The *Bangko*
17 *Sentral* may extend loans and advances to banking
18 institutions for a period of not more than seven (7)
19 days without any collateral for the purpose of providing
20 liquidity to the banking system in times of need.

21 D. EMERGENCY CREDIT OPERATION

22 SEC. 78. *Emergency Loans and Advances.* - In periods of
23 national and/or local emergency or of imminent financial
24 panic which directly threaten monetary and banking
25 stability, the Monetary Board may, by a vote of at least
26 five (5) of its members, authorize the *Bangko Sentral* to
27 grant extraordinary loans or advances to banking
28 institutions secured by assets as defined hereunder;
29 *Provided,* That while such loans or advances are
30 outstanding, the debtor institution shall not, except upon
31 prior authorization by the Monetary Board expand the total
32 volume of its loans or investments.

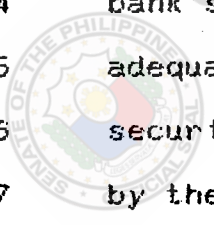
33 The Monetary Board may, at its discretion, likewise
34 authorize the *Bangko Sentral* to grant emergency loans or
35 advances to banking institutions, even during normal



1 periods, for the purpose of assisting a bank in a precarious
2 financial condition or under serious financial pressures
3 brought by unforeseen events, or events which, though
4 foreseeable, could not be prevented by the bank concerned:
5 *Provided, however,* That the Monetary Board has ascertained
6 that the bank is not insolvent and has the assets defined
7 hereunder to secure the advances: *Provided, further,* That a
8 concurrent vote of at least five (5) members of the Monetary
9 Board is obtained.

10 The amount of any emergency loan or advance shall not
11 exceed the sum of fifty percent (50%) of total deposits
12 and deposit substitutes of the banking institution and
13 shall be disbursed in two (2) or more tranches. The amount
14 of the first tranche shall be limited to twenty-five
15 percent (25%) of the total deposit and deposit
16 substitutes of the institution and shall be secured by
17 government securities to the extent of their applicable
18 loan values and other unencumbered first class collaterals
19 which the Monetary Board may approve: *Provided,* That if as
20 determined by the Monetary Board, the circumstances
21 surrounding the emergency warrant a loan or advance greater
22 than the amount provided hereinabove, the amount of the
23 first tranche may exceed twenty-five percent (25%) of the
24 bank's total deposit and deposit substitutes if the same is
25 adequately secured by applicable loan values of government
26 securities and unencumbered first class collaterals approved
27 by the Monetary Board, and the principal stockholders of the
28 institution furnish an acceptable undertaking to indemnify
29 and hold harmless from suit a conservator whose appointment
30 the Monetary Board may find necessary at any time.

31 Prior to the release of the first tranche, the banking
32 institution shall submit to the *Bangko Sentral* a resolution
33 of its board of directors authorizing the *Bangko Sentral* to
34 evaluate other assets of the banking institution certified
35 by its external auditor to be good and available for



1 collateral purposes should the release of the
2 subsequent tranche be thereafter applied for.

3 The Monetary Board may, by a vote at least five (5) of
4 its members, authorize the release of a subsequent tranche
5 on condition that the principal stockholders of the
6 institution:

7 a) furnish an acceptable undertaking to indemnify
8 and hold harmless from suit a conservator whose
9 appointment the Monetary Board may find necessary at
10 any time; and

11 b) provide acceptable security which, in
12 the judgment of the Monetary Board, would be
13 adequate to supplement, where necessary, the
14 assets tendered by the banking institution to
15 collateralize the subsequent tranche.

16 In connection with the exercise of these powers, the
17 prohibitions in Section 122 of this Act shall not apply
18 insofar as it refers to acceptance as collateral of shares
19 and their acquisition as a result of foreclosure
20 proceedings, including the exercise of voting rights
21 pertaining to said shares: *Provided, however,* That should
22 the *Bangko Sentral* acquire any of the shares it has
23 accepted as collateral as a result of foreclosure
24 proceedings, the *Bangko Sentral* shall dispose of said
25 shares by public bidding within one (1) year from the date
26 of consolidation of title by the *Bangko Sentral*.

27 Whenever a financial institution incurs an overdraft
28 in its account with the *Bangko Sentral*, the same shall be
29 eliminated within the period prescribed in Section 97.

30 E. CREDIT TERMS

31 SEC. 79. *Interest and Rediscount Rates.* - The
32 *Bangko Sentral* shall collect interest and other appropriate
33 charges on all loans and advances it extends, the
34 closure, receivership or liquidation of the debtor-
35 institution notwithstanding. This provision shall apply
36 prospectively.

1 The Monetary Board shall fix the interest and
2 rediscount rates to be charged by the *Bangko Sentral* on its
3 credit operations in accordance with the character and term
4 of the operation, but after due consideration has been given
5 to the credit needs of the market, the composition of the
6 *Bangko Sentral*'s portfolio, and the general requirements of
7 the national monetary policy. Interest and rediscount rates
8 shall be applied to all banks of the same category uniformly
9 and without discrimination.

10 SEC. 80. *Endorsement.* - The documents
11 rediscounted, discounted, bought or accepted as collateral
12 by the *Bangko Sentral* in the course of the credit operations
13 authorized in this article shall bear the endorsement
14 of the institution from which they are received.

15 SEC. 81. *Repayment of Credits.* - Documents
16 rediscounted, discounted or accepted as collateral by
17 the *Bangko Sentral* must be withdrawn by the
18 borrowing institution on the dates of their
19 maturities, or upon liquidation of the obligations
20 which they represent or to which they relate
21 whenever said obligations have been liquidated prior to
22 their dates of maturity.

23 Banks shall have the right at any time to withdraw any
24 documents which they have presented to the *Bangko Sentral* as
25 collateral, upon payment in full of the corresponding debt
26 to the *Bangko Sentral*, including interest charges.

27 SEC. 82. *Other Requirements.* - The Monetary Board
28 may prescribe, within the general powers granted to
29 it under this Act, additional conditions which
30 borrowing institutions must satisfy in order to have
31 access to the credit of the *Bangko Sentral*. These
32 conditions may refer to the rates of interest charged
33 by the banks, to the purposes for which their loans
34 in general are destined, and to any other clearly
35 definable aspect of the credit policy of the bank.

1 SEC. 83. *Provisional Advances to the National*
2 *Government.* - The *Bangko Sentral* may make direct
3 provisional advances with or without interest to the
4 National Government to finance expenditures
5 authorized in its annual appropriation: *Provided,* That said
6 advances shall be repaid before the end of three (3) months
7 extendible by another three (3) months as the Monetary Board
8 may allow following the date the National Government
9 received such provisional advances and shall not,
10 in their aggregate, exceed twenty percent (20%) of
11 the average annual income of the borrower for the
12 last three (3) preceding fiscal years.

13 ARTICLE V. - Open Market Operations
14 for the Account of the *Bangko Sentral*

15 SEC. 84. *Principles of Open Market Operations.* -
16 The open market purchases and sales of securities by
17 the *Bangko Sentral* shall be made exclusively in
18 accordance with its primary objective of achieving
19 price stability.

20 SEC. 85. *Purchases and Sales of Government*
21 *Securities.* - In order to achieve the objectives of the
22 national monetary policy, the *Bangko Sentral* may, in
23 accordance with the principle stated in Section 84 of
24 this Act and with such rules and regulations as may be
25 prescribed by the Monetary Board, buy and sell in the
26 open market for its own account:

27 a) evidences of indebtedness issued directly by
28 the Government of the Philippines or by
29 its political subdivisions; and

30 b) evidences of indebtedness issued by
31 Government instrumentalities and fully guaranteed
32 by the Government.

33 The evidences of indebtedness acquired under the
34 provisions of this Section must be freely negotiable and
35 regularly serviced and must be available to the general

640

643

1 public through banking institutions and local government
2 treasuries in denominations of no less than a thousand
3 pesos.

4 SEC. 86. *Issue and Negotiation of Bangko Sentral*
5 *Obligations.* - In order to provide the *Bangko Sentral*
6 with effective instruments for open market operations,
7 the *Bangko Sentral* may, subject to such rules and
8 regulations as the Monetary Board may prescribe and
9 in accordance with the principles stated in Section
10 84 of this Act, issue, place, buy and sell freely
11 negotiable evidences of indebtedness of the *Bangko*
12 *Sentral*: *Provided*, That issuance of such certificates of
13 indebtedness shall be made only in cases of extraordinary
14 movement in price levels. Said evidences of indebtedness
15 may be issued directly against the international reserve
16 of the *Bangko Sentral* or against the securities
17 which it has acquired under the provisions of Section
18 85 of this Act, or may be issued without relation to
19 specific types of assets of the *Bangko Sentral*.

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

24 Subject to the principles stated in Section 84 of this
25 Act, the evidences of indebtedness of the *Bangko Sentral* to
26 which this Section refers may be acquired by the *Bangko*
27 *Sentral* before their maturity, either through purchases in
28 the open market or through redemptions at par and by lot if
29 the *Bangko Sentral* has reserved the right to make such
30 redemptions. The evidences of indebtedness acquired or
31 redeemed by the *Bangko Sentral* shall not be included among
32 its assets, and shall be immediately retired and canceled.

647

644

ARTICLE VI. - Composition of

Bangko Sentral's portfolio

SEC. 87. *Review of the Bangko Sentral's Portfolio.* -

At least once every month the Monetary Board shall review the portfolio of the *Bangko Sentral* in relation to the its future credit policy.

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

ARTICLE VII. - Bank Reserves

SEC. 88. *Reserve Requirements.* - In order to control the volume of money created by the credit operations of the banking system, all banks operating in the Philippines shall be required to maintain reserves against their deposit liabilities: *Provided, That* the Monetary Board may, at its discretion, also require all banks and/or quasi-banks to maintain reserves against funds held in trust and liabilities for deposit substitutes as defined in this Act. The required reserves of each bank shall be proportional to the volume of its deposit liabilities and shall ordinarily take the form of a deposit in the *Bangko Sentral*. Reserve requirements shall be applied to all banks of the same category uniformly and without discrimination.

Reserves against deposit substitutes, if imposed, shall be determined in the same manner as provided for reserve requirements against regular bank deposits, with respect to the imposition, increase, and computation of reserves.

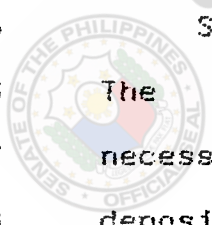
The Monetary Board may exempt from reserve requirements deposits and deposit substitutes with remaining maturities of two (2) years or more, as well as interbank borrowings.

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

6 SEC. 89. *Definitions of Deposit Substitutes.* - The
7 term "deposit substitutes" is defined as an
8 alternative form of obtaining funds from the
9 public, other than deposits, through the issuance,
10 endorsement, or acceptance of debt instruments for
11 the borrower's own account, for the purpose of
12 relending or purchasing of receivables and other
13 obligations. These instruments may include, but need not be
14 limited to, bankers acceptances, promissory notes,
15 participations, certificates of assignment and similar
16 instruments with recourse, trust certificates and repurchase
17 agreements. The Monetary Board shall determine what
18 specific instruments shall be considered as deposit
19 substitutes for the purposes of Sections 88 and 99:
20 *Provided, however,* That deposit substitutes of commercial,
21 industrial and other non-financial companies issued for the
22 limited purpose of financing their own needs or the needs of
23 their agents or dealers shall not be covered by the
24 provisions of Sections 88 and 99.

25 SEC. 90. *Required Reserves Against Peso Deposits.* -
26 The Monetary Board may fix and, when it deems
27 necessary, alter the minimum reserve ratios to peso
28 deposits, as well as to deposit substitutes, which
29 each bank and/or quasi-bank may maintain, and
30 such ratio shall be applied uniformly to all banks
31 of the same category as well as to quasi-banks.

32 SEC. 91. *Required Reserves Against Foreign Currency*
33 *Deposits.* - The Monetary Board is similarly authorized
34 to prescribe and modify the minimum reserve ratios
35 applicable to deposits denominated in foreign
36 currencies.



1 SEC. 92. *Reserves Against Unused Balances of Overdraft*
2 *Lines.* - In order to facilitate *Bangko Sentral* control
3 over the volume of bank credit, the Monetary Board may
4 establish minimum reserve requirements for unused
5 balances of overdraft lines.

6 The powers of the Monetary Board to prescribe and
7 modify reserve requirements against unused balances of
8 overdraft lines shall be the same as its powers with respect
9 to reserve requirements against demand deposits.

10 SEC. 93. *Increase in Reserve Requirements.* - Whenever
11 in the opinion of the Monetary Board, it becomes necessary
12 to increase reserve requirements against existing
13 liabilities, the increase shall be made in a gradual manner
14 and shall not exceed four percentage points in any thirty-
15 day (30) period. Banks and other affected financial
16 institutions shall be notified reasonably in advance of
17 the date on which such increase is to become effective.

18 SEC. 94. *Computation on Reserves.* - The reserve
19 position of each bank or quasi-bank shall be calculated
20 daily on the basis of the amount, at the close of
21 business for the day, of the institution's reserves
22 and the amount of its liability accounts against
23 which reserves are required to be maintained:

24 *Provided,* That with reference to holidays or non-
25 banking days, the reserve position as calculated at
26 the close of the business day immediately preceding such
27 holidays and non-banking days shall apply on such days.

28 For the purpose of computing the reserve position of
29 each bank or quasi-bank, its principal office in the
30 Philippines and all its branches and agencies located
31 therein shall be considered as a single unit.

32 SEC. 95. *Reserve Deficiencies.* - Whenever the
33 reserve position of any bank or quasi-bank, computed
34 in the manner specified in the preceding Section of
35 this Act, is below the required minimum, the bank or

630

647

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

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

19 The Monetary Board may modify or set aside the reserve
20 deficiency penalties provided in this Section, for part or
21 the entire period of a strike or lockout affecting a bank or
22 a quasi-bank as defined in the Labor Code, or of a national
23 emergency affecting operations of banks or quasi-banks.

24 The Monetary Board may also modify or set aside reserved
25 deficiency penalties for rehabilitation program of a bank.

26 SEC. 96. *Interbank Settlement.* - The *Bangko*
27 *Sentral* shall establish facilities for interbank
28 clearing under such rules and regulations as the
29 Monetary Board may prescribe: *Provided,* That the
30 *Bangko Sentral* may charge administrative and
31 other fees for the maintenance of such facilities.

32 The deposit reserves maintained by the banks in the
33 *Bangko Sentral* in accordance with the provisions of Section
34 88 of this Act shall serve as basis for the clearing of
35 checks and the settlement of interbank balances, subject to

651

648

1 such rules and regulations as the Monetary Board may issue
2 with respect to such operations: *Provided*, That any bank
3 which incurs on overdrawing in its deposit account with the
4 *Bangko Sentral* shall fully cover said overdraft, including
5 interest thereon at a rate equivalent to one-tenth of one
6 percent (1/10 of 1 %) per day or the prevailing ninety-one-
7 day treasury bill rate plus three percentage points,
8 whichever is higher, not later than the next clearing
9 day: *Provided, further*, That settlement of clearing
10 balances shall not be effected for any account which
11 continue to be overdrawn for five (5) consecutive
12 banking days until such time as the overdrawing is
13 fully covered or otherwise converted into an emergency
14 loan or advance pursuant to the provisions of
15 Section 78 of this Act: *Provided, finally*, That the
16 appropriate clearing office shall be officially notified of
17 banks with overdrawn balances. Banks with existing
18 overdrafts with the *Bangko Sentral* as of the effectivity of
19 this Act shall, within such period as may be prescribed by
20 the Monetary Board, either convert the overdraft into an
21 emergency loan or advance with a plan of payment, or settle
22 such overdrafts, and that, upon failure to so comply
23 herewith, the *Bangko Sentral* shall take such action against
24 the bank as may be warranted under this Act.

25 SEC. 97. *Exemption from Attachment and Other*
26 *Purposes.* - Deposits maintained by banks with the
27 *Bangko Sentral* as part of their reserve requirements
28 shall be exempt from attachment, garnishment, or any
29 other order or process of any court, government
30 agency or any other administrative body issued to
31 satisfy the claim of a party other than the
32 Government, or its political subdivisions or
33 instrumentalities.

ARTICLE VIII. - SELECTIVE REGULATION
OF BANK OPERATIONS

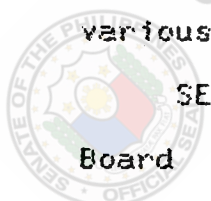
1 SEC. 98. *Guiding Principle.* - The Monetary Board
2 shall use the powers granted to it under this Act to
3 ensure that the supply, availability and cost of money
4 are in accord with the needs of the Philippine
5 economy and that bank credit is not granted for
6 speculative purposes prejudicial to the national
7 interests. Regulations on bank operations shall be
8 applied to all banks of the same category uniformly and
9 without discrimination.

10 SEC. 99. *Margin Requirements Against Letters of*
11 *Credit.* - The Monetary Board may at any time
12 prescribe minimum cash margins for the opening of
13 letters of credit, and may relate the size of the
14 required margin to the nature of the transaction to be
15 financed.

16 SEC. 100. *Required Security Against Bank Loans.* -
17 In order to promote liquidity and solvency of the
18 banking system, the Monetary Board may issue such
19 regulations as it may deem necessary with respect to
20 the maximum permissible maturities of the loans and
21 investments which the banks may make, and the kind
22 and amount of security to be required against the
23 various types of credit operations of the banks.

24 SEC. 101. *Portfolio Ceilings.* - Whenever the Monetary
25 Board considers it advisable to prevent or check an
26 expansion of bank credit, the Board may place an upper limit
27 on the amount of loans and investments which the banks may
28 hold, or may place a limit on the rate of increase of such
29 assets within specified periods of time. The Monetary Board
30 may apply such limits to the loans and investments of each
31 bank or to specific categories thereof.

32 In no case shall the Monetary Board establish limits
33 which are below the value of the loans or investments of the
34 banks on the date on which they are notified of such
35
36



1 restrictions. The restrictions shall be applied to all
2 banks uniformly and without discrimination.

3 SEC. 102. *Minimum Capital Ratios.* - The Monetary
4 Board may prescribe minimum ratios which the capital
5 and surplus of the banks must bear to the volume of
6 their assets, or to specific categories thereof,
7 and may alter said ratios whenever it deems
8 necessary.

9 CHAPTER V. - FUNCTIONS AS BANKER AND FINANCIAL
10 ADVISOR OF THE GOVERNMENT

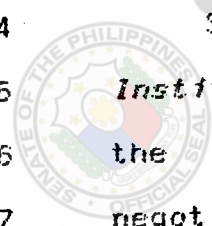
11 ARTICLE I. - Functions as Banker
12 of the Government

13 SEC. 103. *Designation of Bangko Sentral as Banker of*
14 *the Government.* - The *Bangko Sentral* shall act as a
15 banker of the Government, its political subdivisions
16 and instrumentalities.

17 SEC. 104. *Representation with the International*
18 *Monetary Fund.* - The *Bangko Sentral* shall represent
19 the Government in all dealings, negotiations and
20 transactions with the International Monetary Fund and
21 shall carry such accounts as may result from
22 Philippine membership in, or operations with, said
23 Fund.

24 SEC. 105. *Representation with Other Financial*
25 *Institutions.* - The *Bangko Sentral* may be authorized by
26 the Government to represent it in dealings,
27 negotiations or transactions with the International
28 Bank for Reconstruction and Development and with
29 other foreign or international financial
30 institutions or agencies. The President may,
31 however, designate any of his other financial
32 advisors to jointly represent the Government in such
33 dealings, negotiations or transactions.

34 SEC. 106. *Official Deposits.* - The *Bangko Sentral*
35 shall be the official depository of the Government, its



1 political subdivisions and instrumentalities as well as
2 of government-owned or controlled corporations and, as
3 a general policy, their cash balances should be
4 deposited with the *Bangko Sentral*, with only
5 minimum working balances to be held by government-
6 owned banks and such other banks incorporated in the
7 Philippines as the Monetary Board may designate, subject
8 to such rules and regulations as the Board may prescribe:
9 *Provided*, That such banks may hold deposits of the political
10 subdivisions and instrumentalities of the Government beyond
11 their minimum working balances whenever such subdivisions
12 and instrumentalities have outstanding loans with said
13 banks.

14 The *Bangko Sentral* may pay interest on deposits of the
15 government or of its political subdivisions and
16 instrumentalities, as well as on deposits of banks with
17 the *Bangko Sentral*.

18 SEC. 107. *Fiscal Operations*. - The *Bangko Sentral*
19 shall open a general cash account for the Treasurer of
20 the Philippines, in which the liquid funds of the
21 Government shall be deposited.

22 Transfers of funds from this account to other accounts
23 shall be made only upon order of the Treasurer of the
24 Philippines.

25 SEC. 108. *Other Banks as Agents of the Bangko*
26 *Sentral*. - In the performance of its functions as fiscal
27 agent, the *Bangko Sentral* may engage the services of other
28 government-owned and -controlled banks and of other domestic
29 banks for operations in localities at home or abroad in
30 which the *Bangko Sentral* does not have offices or agencies
31 adequately equipped to perform said operations: *Provided*,
32 *however*, That for fiscal operations in foreign
33 countries, the *Bangko Sentral* may engage the services of
34 foreign banking and financial institutions.

1 SEC. 109. *Remuneration for Services.* - The
2 *Bangko Sentral* may charge equitable rates, commissions or
3 fees for services which it renders to the Government, its
4 political subdivisions and instrumentalities.

5 ARTICLE II. - The Marketing and Stabilization
6 of Securities for the Account of the Government

7 A. THE ISSUE AND PLACING OF GOVERNMENT SECURITIES

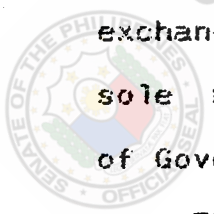
8 SEC. 110. *Issue of Government Obligations.* - The
9 issue of securities representing obligations of the
10 Government, its political subdivisions or instrumentalities,
11 may be made through the *Bangko Sentral*, which may act as
12 agent of, and for the account of, the Government or its
13 respective subdivisions or instrumentality, as the case
14 may be: *Provided, however,* That the *Bangko Sentral*
15 shall not guarantee the placement of said securities, and
16 shall not subscribe to their issue except to replace
17 its maturing holdings of securities with the same type as
18 the maturing securities.

19 SEC. 111. *Methods of Placing Government Securities.* - The *Bangko Sentral* may place the securities to
20 which the preceding Section refers through direct sale
21 to financial institutions and the public.
22

23 The *Bangko Sentral* shall not be a member of any stock
24 exchange or syndicate, but may intervene therein for the
25 sole purpose of regulating their operations in the placing
26 of Government securities.

27 The Government, or its political subdivisions or
28 instrumentalities, shall reimburse the *Bangko Sentral* for
29 the expenses incurred in the placing of the aforesaid
30 securities.

31 SEC. 112. *Servicing and Redemption of the Public*
32 *Debt.* - The servicing and redemption of the public
33 debt shall also be effected through the *Bangko Sentral*.



BANGKO SENTRAL SUPPORT OF THE GOVERNMENT

SECURITIES MARKET

SEC. 113. *The Securities Stabilization Fund.* -

There shall be established a "Securities Stabilization Fund" which shall be administered by the *Bangko Sentral* for the account of the Government.

The operations of the Securities Stabilization Fund shall consist of purchases and sales, in the open market, of bonds and other evidences of indebtedness issued or fully guaranteed by the Government. The purpose of these operations shall be to increase the liquidity and stabilize the value of said securities in order thereby to promote private investment in Government obligations.

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

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

SEC. 114. *Resources of the Securities Stabilization Fund.* - Subject to Section 127 of this Act, the resources of the Securities Stabilization Fund shall come from the balance of the fund as held by the Central Bank under Republic Act No. 265 as of the effective date of this Act.

SEC. 115. *Profits and Losses of the Fund.* -

The Securities Stabilization Fund shall retain any net profits which it may make on its operations, regardless of whether said profits arise from capital gains or from interest earnings. The Fund shall correspondingly bear any net losses which it may incur.

657

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ARTICLE III. - Functions as Financial Advisor
of the Government

SEC. 116. *Financial Advice on Official Credit Operations.* - Before undertaking any credit operation abroad, the Government, through the Secretary of Finance, shall request the opinion, in writing, of the Monetary Board on the monetary implications of the contemplated action. Such opinions must similarly be requested by all political subdivisions and instrumentalities of the Government before any credit operation abroad is undertaken by them.

The opinion of the Monetary Board shall be based on the gold and foreign exchange resources and obligations of the nation and on the effects of the proposed operation on the balance of payments and on monetary aggregates.

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

SEC. 117. *Representation on the National Economic and Development Authority.* - In order to assure effective coordination between the economic, financial and fiscal policies of the Government and the monetary, credit and exchange policies of the *Bangko Sentral*, the Deputy Governor designated by the Governor of the *Bangko Sentral* shall be an *ex officio* member of the National Economic and Development Authority Board.

CHAPTER I. - PRIVILEGES AND PROHIBITIONS

ARTICLE I. - Privileges

SEC. 118. *Tax Exemptions.* - The provisions of any general or special law to the contrary notwithstanding, the *Bangko Sentral* shall be exempt for a period of

1 five (5) years from the approval of this Act from all
2 national, provincial, municipal and city taxes, fees,
3 charges and assessments now in force or may hereafter be
4 established.

5 The exemptions authorized in the preceding paragraph of
6 this Section shall apply to all property of the *Bangko*
7 *Sentral*, to the resources, receipts, expenditures, profits
8 and income of the *Bangko Sentral*, as well as to all
9 contracts, deeds, documents and transactions related to the
10 conduct of the business of the *Bangko Sentral*: *Provided*,
11 *however*, That said exemptions shall apply only to such
12 taxes, fees, charges and assessments for which the *Bangko*
13 *Sentral* itself would otherwise be liable, and shall not
14 apply to taxes, fees, charges, or assessments payable by
15 persons or other entities doing business with the *Bangko*
16 *Sentral*: *Provided, further*, That foreign loans and other
17 obligations of the *Bangko Sentral* shall be exempt both as
18 to principal and interest, from any and all taxes if the
19 payment of such taxes has been assumed by the *Bangko*
20 *Sentral*: *Provided, finally*, That in no case shall the
21 *Bangko Sentral* pay guarantee fees of any kind.

22 SEC. 119. *Exemption from Customs Duties.* - The
23 provision of any general or special law to the
24 contrary notwithstanding, the importation and exportation
25 by the *Bangko Sentral* of notes and coins, and of gold
26 and other metals to be used for purposes authorized
27 under this Act, and the importation of all equipment
28 needed for bank note production, minting of coins, metal
29 refining and other security printing operations shall be
30 fully exempt from all customs duties and consular
31 fees and from all other taxes, assessments and charges
32 related to such importation or exportation.

33 SEC. 120. *Applicability of the Civil Service*
34 *Law.* - Appointments in the *Bangko Sentral*, except as to
35 those which are policy-determining, primarily confidential

1 or highly technical in nature, shall be made only according
2 to the Civil Service Law and regulations: *Provided*, That
3 no qualification requirements for positions in the
4 *Bangko Sentral* shall be imposed other than those set
5 by the Monetary Board: *Provided*, further, That, the
6 Monetary Board or Governor, in accordance with Sections 14
7 (c) and 16 (d) of this Act, respectively, may without need
8 of obtaining prior approval from any other government
9 agency, appoint personnel in the *Bangko Sentral* whose
10 services are deemed necessary in order not to unduly
11 disrupt the operations of the *Bangko Sentral*.

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

16 ARTICLE II. - Prohibitions

17 SEC. 121. *Prohibitions*. - The *Bangko Sentral* shall
18 not acquire shares of any kind or accept them as collateral,
19 and shall not participate in the ownership or management of
20 any enterprise, either directly or indirectly.

21 The *Bangko Sentral* shall not engage in development
22 banking or financing: *Provided*, however, That outstanding
23 loans obtained or extended for development financing shall
24 not be affected by the prohibition of this Section.

25 CHAPTER VII. - TRANSITORY PROVISIONS

26 SEC. 122. *Phase-out of Fiscal Agency*
27 *Functions*. - The *Bangko Sentral* shall, within a period
28 of five (5) years from the approval of this Act, phase out
29 all fiscal agency functions provided for in Sections 112,
30 113, 114, 115, 116 and 117 as well as in other pertinent
31 provisions of this Act and transfer the same to the
32 Department of Finance.

1 SEC. 123. *Phase-out of Regulatory Powers Over the*
2 *Operations of Finance Corporations and Other Institutions*
3 *Performing Similar Functions.* - The *Bangko Sentral*
4 shall, within a period of five (5) years from the
5 effectivity of this Act, phase out its regulatory
6 powers over finance companies without quasi-banking
7 functions and other institutions performing similar
8 functions as provided in Republic Act No. 265,
9 as amended; Republic Act No. 5980, as amended;
10 and other existing laws, the same to be assumed by
11 the Securities and Exchange Commission.

12 SEC. 124. *Implementing Details.* - The *Bangko*
13 *Sentral* shall be made operational within sixty
14 (60) days from effectivity of this Act, during which
15 period:

- 16 a) the President shall constitute the
17 Monetary Board by appointing the members thereof; and
18 b) the transfer of such assets and liabilities
19 from the Central Bank to the *Bangko Sentral*
20 as provided in Section 125 is completed.

21 All incumbent personnel in the Central Bank as of the
22 date of the approval of this Act shall continue to exercise
23 their duties and functions as personnel of the *Bangko*
24 *Sentral* subject to the provisions of Section 126: *Provided,*
25 That such personnel in the Central Bank as may be necessary
26 for the purpose of implementing Section 125 may be assigned
27 by the *Bangko Sentral* Monetary Board to the Central Bank.

28 SEC. 125. *Transfer of Assets and Liabilities.* -
29 Upon the effectivity of this Act, three (3) Members of
30 the Monetary Board, in representation of the *Bangko*
31 *Sentral*, the Secretary of Finance, and the Secretary of
32 Budget and Management in representation of the
33 Government, and the Chairmen of the Committees on Banks of
34 the Senate and the House of Representatives shall determine

1 the assets and liabilities of the Central Bank which may
2 be transferred to or assumed by the *Bangko Sentral*.

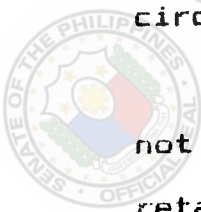
3 The following guidelines shall be strictly observed
4 in the determination of which assets and
5 liabilities shall be transferred to the *Bangko*
6 *Sentral*:

7 a) the Monetary Board shall have primary
8 responsibility for working out and recommending to
9 Congress creative monetary and financial
10 solutions to retire the Central Bank
11 liabilities and losses at the least cost to the
12 Government not later than one (1) year from the date of
13 its organization;

14 b) the assets and liabilities to be transferred
15 shall be limited in an amount that will enable the
16 *Bangko Sentral* to perform its responsibilities
17 adequately and operate on a viable basis:
18 *Provided*, That the liabilities shall not exceed the
19 assets so transferred as certified by the Commission on
20 Audit (COA);

21 c) liabilities to be assumed by the *Bangko*
22 *Sentral* shall include liability for notes and coins in
23 circulation as of the effective date of this Act; and

24 d) any asset or liability of the Central Bank
25 not transferred to the *Bangko Sentral* shall be
26 retained and administered, disposed of and
27 liquidated by the Central Bank itself which shall
28 continue to exist only for the purposes provided
29 in this paragraph but not later than twenty (20) years:
30 *Provided*, That the *Bangko Sentral*, shall
31 financially assist the Central Bank in the
32 liquidation of its liabilities: *Provided*,
33 finally, That upon disposition of said retained assets
34 and liquidation of said retained liabilities, the
35 Central Bank shall be deemed abolished.



1 The *Bangko Sentral* shall remit fifty percent (50%) of
2 its net profits to the old Central Bank until such time
3 when the latter's net liabilities are liquidated through
4 generally accepted finance mechanisms.

5 All actions taken by the *Bangko Sentral* Monetary Board
6 under this Section shall be reported to Congress within
7 thirty (30) days.

8 SEC. 126. *Mandate to Organize.* - The *Bangko Sentral*
9 shall be organized by the Monetary Board without being
10 subject to the provisions of Republic Act No. 7430, by
11 adopting if it so desires, an entirely new staffing
12 pattern on organizational structure to suit the
13 operations of the *Bangko Sentral* under this Act.
14 No preferential or priority right shall be given to or
15 enjoyed by any personnel for appointment to any position
16 in the new staffing pattern, nor shall any personnel be
17 considered as having prior or vested rights with respect
18 to retention in the *Bangko Sentral* or in any position
19 which may be created in the new staffing pattern, even
20 if he should be the incumbent of a similar position prior
21 to organization. The formulation of the program of
22 organization shall be completed within six (6) months
23 after the effectivity of this Act, and shall be fully
24 implemented within a period of six (6) months
25 thereafter. Personnel who may not be retained are
26 deemed separated from the service.

27 SEC. 127. *Separation Benefits.* - Pursuant to Section
28 14 of this Act, the Monetary Board is authorized to
29 provide separation incentives, and all those who shall
30 retire or be separated from the service on account of
31 reorganization under the preceding Section shall be
32 entitled to such incentives, which shall be in addition to
33 all gratuities and benefits to which they may be
34 entitled under existing laws.

1 SEC. 128. *Repealing Clause.* - Except as may be
2 provided for in Section 125 of this Act, Republic Act No.
3 265, as amended, the provisions of any other law,
4 special charters, rule or regulation issued pursuant to
5 said Republic Act No. 265, as amended, or parts thereof,
6 which may be inconsistent with the provisions of this
7 Act are likewise deemed repealed.

8 SEC. 129. *Reference to the Central Bank of the*
9 *Philippines in Other Laws and Charters.* - After the repeal
10 of Republic Act No. 265, all references to the Central
11 Bank of the Philippines in any law or special charters
12 shall be deemed to refer to the *Bangko Sentral*.

13 SEC. 130. *Separability Clause.* - If any provision or
14 section of this Act or the application thereof to any person
15 or circumstance, is held invalid, the other provisions or
16 sections of this Act, and the application of such provision
17 or section to other persons or circumstances, shall not be
18 affected thereby.

19 SEC. 131. *Effectivity Clause.* - This Act shall
20 take effect fifteen (15) days following its publication
21 in the *Official Gazette* or in two (2) national newspapers
22 of general circulation.

Approved,

