

RECORD OF THE SENATE

WEDNESDAY, SEPTEMBER 15, 1999

OPENING OF THE SESSION

At 3:36 p.m., the Senate President, Hon. Blas F. Ople, called the session to order.

The President. The 23rd session of the Second Regular Session of the Eleventh Congress is hereby called to order.

Let us all stand for the opening prayer to be led by Sen. Robert Z. Barbers.

Everybody rose for the prayer.

PRAYER

Senator Barbers.

O, Ama naming Diyos na makapangyarihan sa lahat,
Labis kaming nagpupugay sa Inyo
Ngayon sa panibagong hapon na pinagsama-sama
Mo kami
Sa ngalan ng paglilingkod sa kapwa.

Tanggapin Mo, Panginoon, ang aming nagpupugay
Na inilaan Mo sa amin sa bawat oras na magkaharap
kami dito sa Mataas na Kapulungan.
Bagama't hindi maiwasan ang sandaling
May magkakaibang pananaw sa bawat usapin
Sa patnubay Mo, Panginoon, matiwasay at maayos
Na napag-uusapan ang lahat sa ngalan ng iisang layunin.

Panginoon, sa bawat araw na lumilipas
Isa sa pinagtutuunan ng kaukulang aksiyon
ng pamahalaan
Ay ang pagsugpo sa mga krimen sa kapaligiran
At sa mithiing bigyan ng solusyon ang bawat problema
ukol rito.
Buong tapang na hinaharap namin ang sinumang nagnanais
na maghasik ng kaguluhan sa paligid
Laging una sa aming prayoridad, Panginoon, ang
kapakanan at seguridad ng bawat isa
Alang-alang sa aming mga anak, anak ng aming mga anak
At para sa lahat ng mamamayan.

Ang lahat ng iyan, aming Ama, ay sa ngalan ng
sambayanan
Sapagkat nagkakaisa kami kasama ang bawat komunidad
Sa mithiing magkaroon ng matiwasay at tahimik na
pamumuhay.

Gayunpaman, nagsisilbing hamon sa amin ang ilang
maselang pangyayari
Nang maging usapin ang mga kabataan na nakakagawa
ng krimen
Kasabay ang pagtangis ng mga naging biktima nito.

Kaugnay nito, Panginoon, buong pagtitiwala kaming
sumasamo sa Inyo bilang mga mambabatas
Upang maliwanagan ang bawat isa sa tamang
pagdedesisyon
Kung paano tuluyang mapipigilan ang ganitong problema.
Inilalapat din namin, Panginoon, na Ikaw ang magbigay
linaw sa isip ng mga masasamang loob
Sila ma'y bata o matanda, upang isaisip nila ang
kapalit na kaparusahan ng kanilang ginagawa.

Tulongan Mo po kaming ipaabot sa sambayanan ang diwa
Ng aming magiging kapasyahan na ito ay sa kabutihan
Ng bansang Pilipinas at hindi lamang ng iilan.
Ang lahat ng ito ay isinasamo namin sa ngalan ng
Inyong Anak na si Hesus.

Amen.

ROLL CALL

The President. The Secretary will please call the roll.

The Secretary, reading:

Senator Teresa S. Aquino-Oreta	*
Senator Robert Z. Barbers	Present
Senator Rodolfo G. Biazon	Present
Senator Renato L. <i>Compañero</i> Cayetano ..	Present
Senator Anna Dominique M.L. Coseteng ..	*
Senator Franklin M. Drilon	Present
Senator Juan Ponce Enrile	Present
Senator Juan M. Flavier	Present
Senator Teofisto T. Guingona Jr.	Present
Senator Gregorio B. Honasan	Present
Senator Robert S. Jaworski	Present
Senator Loren B. Legarda-Leviste	Present
Senator Ramon B. Magsaysay Jr.	Present
Senator John Henry R. Osmeña	*
Senator Sergio R. Osmeña III	Present
Senator Aquilino Q. Pimentel Jr.	Present
Senator Ramon B. Revilla	Present
Senator Raul S. Roco	Present
Senator Miriam Defensor Santiago	Absent **

* On official mission

** On account of illness

Somebody should be made responsible for this because this amount of P16,363.00 is a relatively small amount, but nonetheless, it gives the impression that we are not careful, we are not concerned about accounting for the amounts of money that we received from the Senate. Certainly, it creates a bad impression not only of the person concerned but also of the institution that we represent. It is for that reason that I would like to make it of record *na hindi po totoo na mayroon akong utang na P16,363.00 sa Senado.*

The Presiding Officer [Sen. Flavier]. The Majority Leader is recognized.

**QUESTION OF PRIVILEGE OF SENATOR DRILON
(Press Release on No Unliquidated Accounts
and Denouncing Irresponsible Reporting)**

Senator Drilon. Mr. President, yesterday, when we were informed about this supposed to be news article coming out of the newspapers, we issued a press release saying that we have no unliquidated accounts. This is verifiable from the records of the Senate. This newspaper did not at all print that denial. So, just for the record, we also wish to join our esteemed colleagues in denouncing this irresponsible reporting.

Senator Roco. Mr. President.

The Presiding Officer [Sen. Flavier]. Senator Roco is recognized.

**QUESTION OF PRIVILEGE OF SENATOR ROCO
(On An Alleged Unliquidated Amount of P14,000.00)**

Senator Roco. Only because everybody is standing up, I feel neglected if I do not stand up also in the same respect.

Mr. President, I checked with the Finance, and apparently, there is still an unliquidated amount of P14,000.00; it is less princely than what Sen. Aquilino Pimentel has claimed of P16,000.00. In any event, it is something that the Committee on Education staff should liquidate. It is not even with us since I already left the Committee on Education. I am sure we will find that out. I personally think that we do not have to be very overly sensitive about this and just take it as part of the job definition.

Thank you, Mr. President.

The Presiding Officer [Sen. Flavier]. Thank you, Senator Roco.

Senator Drilon. Mr. President.

The Presiding Officer [Sen. Flavier]. The Majority Leader is recognized.

Senator Drilon. The problem, however, Mr. President, is that the moment one of our colleagues said that "I have liquidated," the conclusion might be drawn that those who did not stand up may really have unliquidated accounts.

**QUESTION OF PRIVILEGE OF SENATOR FLAVIER
(To Denounce News Report of Unliquidated
Accounts Despite their Liquidation)**

The Presiding Officer [Sen. Flavier]. In that spirit, even if I am sitting, I will stand to say that I have no accountability and the malice springs from the fact that the COA audit ends December 31, and our liquidation extends beyond that. I do not mind its saying that as of that date, there is that accountability. But when yesterday, the news report announced these as facts without saying that it has been liquidated, it smacks of malice that I think we should denounce.

Thank you, Mr. President.

Senator Drilon. Thank you, Mr. President, for standing up also, although even if he is standing up, he still looks like sitting down. *[Laughter]*

**BILL ON SECOND READING
S. No. 1519--General Banking Law of 1999
(Continuation)**

Senator Drilon. Mr. President, I move that we resume consideration of Senate Bill No. 1519, as reported out under Committee Report No. 29.

The Presiding Officer [Sen. Flavier]. Is there any objection? *[Silence]* There being none, resumption of consideration of Senate Bill No. 1519 is now in order.

Senator Drilon. Mr. President, we are still in the period of interpellations. May I ask the Chair to recognize Sen. Raul S. Roco, the principal sponsor, and the Minority Leader to continue with the interpellation.

The Presiding Officer [Sen. Flavier]. Senator Roco and Senator Guingona are recognized.

Senator Roco. Thank you, Mr. President.

Senator Guingona. Thank you, Mr. President.

I would just like to manifest that I would have yielded to the

others so that they may be given the opportunities to interpellate. However, for one reason or another, I have been requested to pursue the interpellation.

So, may I do so with the permission of the distinguished sponsor?

**MANIFESTATION OF SENATOR ROCO
(March 17, 1999 Version as the Working Draft)**

Senator Roco. Could I manifest something, Mr. President? The staff approached me that apparently what we might be holding, the more current version given out, is different from what I am holding only because they retyped and the lines changed. So, when I am looking at line 18, the others might be looking at line 19. I told them not to do that again because this was approved; what I am holding was approved as basis for discussion.

So, they redistributed the old version which is the one as of March 17, 1999. This one has bold letters when they refer to the new provisions. It is easier even for us. But when they retyped it, they forgot that the bold letters were not there by accident, but they were there for such reasons.

So, if all the members can be given the copy as approved for discussion, then we will be looking at the same lines or we can just reconcile later on. If we use sections instead of lines, it will be all right.

But I asked them, "Is there a section where the adverb or adjective 'controlled' appears?" *Hindi raw nangyari.*

Ang sabi ko, "If there is any extra word there, sagot ninyo sa akin."

So, I am assured that it is exactly the same. *Iyon lamang,* Mr. President, and we can continue so that we have the same reference point.

Senator Guingona. Mr. President, may we know whether this particular measure, this reform bill for banking, is a recommendation of the World Bank?

Senator Roco. This one is the result of painstaking editing and discussions with our committee in at least 10 sessions.

Senator Guingona. I know, Mr. President. Apart from the efforts of the distinguished sponsor, as a general macro economic event, the World Bank, IMF and other institutions usually make policy recommendations for certain reforms in consideration or as a consequence of certain financial loans that they give for the

particular reforms that they intend. I just would like to know whether this is so.

Senator Roco. I have read and I have seen speeches delivered on TV by Federal Reserve Chairman Greenspan. I have seen Camdessus once, maybe twice. I have not met the World Bank representatives. I know that based on publications, they always talk about more liberal financial institutions in Asia and other parts of the globe.

I have also seen a speech by Camdessus saying they may be wrong, that some countries have shown that their prescriptions have not always been right.

But personally, nobody has ever discussed with me, even the past governor and certainly not the present governor, and even the staff of the Bangko Sentral has never even suggested that IMF, World Bank or anybody else has thought of this. In fairness, in fact, this draft is already probably four years old. But the group here with me has taken pains to edit it a little; it was filed before—*sino ang pinaka-unang nag-file nito* even before Senator Drilon?—I filed it and then Senator Drilon filed it again. But even before me, somebody else filed it. So there were changes. But this draft is really the product now of the total. I went through records. I do not know if anybody from the IMF talked to the Majority Leader. But he certainly did not whisper to me that he was talked to. *[Laughter]*

We do have friends who talked to us; various bank representatives talked to us about these matters.

Senator Guingona. I would like to thank the gentleman for that, Mr. President.

One of the obvious intents of these reforms is to have more capital for the banks so that first, they can do the service of banking; and second, to prevent possible failures because of limited or constricted capital.

I understand that the new Bangko Sentral has a policy of not only encouraging mergers but also of having at least, a minimum of, or a number of about six or seven banks—big ones. Would the distinguished sponsor have any idea along that line?

Senator Roco. Again, these are not official information given me directly. But the former Bangko Sentral had a long-time policy—I think, the last three years—to encourage bank mergers and widening ownership and asset base of the banks. I understand from the newspapers that this policy has not been reversed by the incumbent governor.

So that is the extent. I have had various discussions, both

formal and informal, with the new Bangko Sentral, but we were not even talking about that. We were talking about licenses and the concern that there should be no new licenses, which I share, personally. I think, as we liberalize—the banks were coming in—we are asking them to be bigger, but we are giving more licenses and it is antagonistic policy. So if we want them bigger, do not give new licenses. If we want them to proliferate, do not force them to merge.

Senator Guingona. But in making them bigger, will this not end up fewer because of the mergers? Will this not promote an oligopolistic form of banking?

Senator Roco. Maybe not, Mr. President. We have 17,000 financial institutions. When we talk of the financial system, we are talking of 17,000 institutions: commercial banks are 7,000; thrift banks - 1,300; rural cooperative banks - 1,700; the nonbank financial institutions are 9,000. So the total financial system physical composition is 17,150.

The presence of the foreign banks, no matter how big they are, cannot go beyond 30% of the asset of the whole banking system. They are not even near there. They are only 15% even if they all combined—Bank of America, Chartered Bank—within the Philippines. They still have not yet reached the ceiling of the asset. It is in the law and we repeat it in the bill before us now.

Senator Guingona. May we know how many universal banks are there?

Senator Roco. Expanded commercial banks, 21 head offices plus 3,411 other offices. That is domestic. That is my number. Then there is a branch of one foreign bank. This is updated. Expanded commercial banks: domestic banks, 20; foreign banks, one. Total resources for domestic banks—P2 trillion. Total resources for foreign banks—P77 billion. So that is the proportion.

Senator Guingona. Do the 20 domestic banks include Equitable Bank and PCIB?

Senator Roco. That is correct. Separately. So it might be 19 now.

Senator Guingona. This policy of the SSS and the GSIS contributing P30 billion in equity is along the lines of policy of the reformed—or sought to be reformed—banking system?

Senator Roco. I think, and I cannot speak for the new Bangko Sentral ng Pilipinas. I suspect he does not like that. In fact, I personally do not like it also. The GSIS and SSS are not under the wings of the Bangko Sentral ng Pilipinas. Because they

are fiduciary funds; in fact, to me, it is better that they are also under the BSP supervision. But the recent acquisition of PCIB through SSS really suggests that somebody just wanted a commission. Since they could not get the original buyer to give the commission, they passed it through somebody who was willing to give a commission.

Senator Guingona. I would like to thank the sponsor for that information.

The concern, I think, of the customers of the banks, the public in general, is how this proposed bill will lower or reduce the lending rate which is now at 18% prime. How will the proposed amendments to the Banking Law lower the spread between the deposit rate and the lending rate? Because we have been debating this in various instances in the Senate since 1987. And even during the crisis, most of the banks made tremendous profits because their spread was very high. Between savings interest of 5 percent they give to savers and the amount of loans at anywhere between 14% and 18% is a tremendous amount.

We would like to be enlightened as to what specific reforms we can do towards minimizing the spread so that the interest will not go very high.

Senator Roco. Yes. Actually, the matter of interest is really subject to both market forces and the active management by the Bangko Sentral ng Pilipinas. From the time this Chamber approved the Bangko Sentral ng Pilipinas Charter giving it independence and flexibility and a healthier balance sheet, that has been recognized, I think, as having contributed to a fairly stable financial system.

This recognition—and we take a little pride for that, Mr. President, because it has a lot to do with the new Bangko Sentral law—is printed in the reports of foreign banks. UBS is included, even if it has the Marcos wealth there, if it has the Marcos wealth.

The Swiss bank recognized it. In fact, that solitary law, it says, has done more to stabilize the financial condition of the Philippines than any other countries' financial conditions. It is proven also by the statistical analysis. As I remember, there was even a time, before the New Bangko Sentral, when the banks' interests were 27%, 28%. Even higher. There was even a time when it was 44%, but this was after Dewey Dee. After Dewey Dee, the bankers were just earning money by sitting on their money and playing golf.

Senator Guingona. I think after the assassination of Ninoy.

Senator Roco. Even before. It was exacerbated. I think in 1981, during the time when Dewey Dee ran away with billions of money. I remember, Mr. President, Sen. Frank Drilon and I were active in practice. So, Dewey Dee was a terrible blow on the whole financial picture. When Dewey Dee ran away with the money—with billions—we almost collapsed. Then it became very bad for the country, and people started leaving with their money. Then Ninoy Aquino was assassinated. There was no more even moral support for the financial system.

But in the recent past, before the liberalization of foreign banks, for instance—and I have just been given the statistics by Dr. Lamberto—from January 1991 to December 1994, Republic Act No. 7721, the savings reserve ratio—these are all averages—was 4.7% and the savings and liquidity reserve was 4.73%. From January 1995 to June 1997, that dropped to 4.5% and 4.3%. But this was pre-crisis. Because July 11 was the start of the collapse.

After the crisis dawned on us, even then the reserve ratio went up to 4.9%, but the savings and liquidity reserves went down to 4.2%. In the last three years—I am now working on memory—under Governor Singson, they lowered the interest rate from 19%, I think, down to 14%. It even went down to as low as 4 percent up to 10%, I am being informed. We went down some more. Even the treasury bill's interest rate is now 8 percent. Ninety-one days is 8 percent interest rate.

So, we will see that there has been a lowering of interest rates. In fact, the problem now is, although the interest rate is lower, very few people are borrowing. Again, I know on a personal basis, that my daughter, apparently, is planning to borrow in order to build her house. It is the time to borrow. It is the time for borrowers. House and lot is the biggest single investment for a young married couple. And it does not give us interest. It just gives us psychic satisfaction.

But I can see—my second daughter has two kids, and they are fairly doing rather well—the anguish of a young couple committing to a loan that would frighten them to death.

I am given another set of papers. I will have to untangle this from my mind before I answer. But there has been a consistent lowering of the interest rates. For those who may have savings, in fact, if they wait around for a couple of months, cars will be cheaper. The luxury cars are given for free, [Laughter] but the normal car, if we will buy it, I think, in two more months... Because the millennium models are coming out so new cars now will become old. But the rate on borrowing cars has never been so low.

Senator Guingona. May I know what is the real basis for

the rate of interest for loans? Is it the spread? Is it the inflation rate? Is it the T-bill rates?

We still cannot understand why the spread. Ordinarily, I understand from bankers, 3 percent to 4 percent would be enough. But in many instances, it is beyond 10%. If the spread is the main basis—and I think it should be because one pays so much for deposit—he lends out the same deposits and he gains returns regardless of the other factors. They probably would contribute. I hope the distinguished sponsor can enlighten us further.

Senator Roco. I am no banker myself, Mr. President. But each bank, as I understand it, each manager, risk analyst, trust officer, or bank loans department has a total transaction cost depending on his source of money. If it is just deposit, his transaction cost may be more reasonable. But if his bank is very aggressive and it rolls the money, his transaction cost may be higher. If the money he is lending is based on dollars because there is a back-to-back transaction, it can be lower. If there was a reserve requirement of 25%, 25% of the assets of the bank could not be lent out because they were reserves, and so they were not earning.

Every peso the banks lend—the 75% they lend out—had to be charged as though it were 100% because they could not use 25%. So when they lower the reserve, there is more money which the banks could lend now at 85%. So they are now computing their cost at 75%.

Then there are banks, since they are stable, which can lend even higher. Some people even borrow higher because they know that they can also get the credit reference of the bank.

There are some banks, of course, that lend real low because they are being very competitive. But that is the beauty of free competition as far as that is concerned because we can bargain. We must remember that when we go to a bank, we can bargain on our rates. Of course, the bigger we are, the easier to bargain. But that is so in life as in banking.

Senator Guingona. When one is really big, it is the bank which bargains.

Senator Roco. It is even worse. But when one is borrowing, the bank is valuable to the borrower. But when the bank already gave him the money, the borrower is now valuable to the bank. The average cost, I am informed—money to the bank, the interest paid on deposits plus intermediation cost—would be all these administrative, reserve requirements, risks, plus a spread. That is the formula.

Senator Guingona. How much would that be for a

reasonable return on investment percentage? Because I think not all the reserves do not earn interest. Some reserves earn interest or all.

Senator Roco. That will depend on the bank. I think one of the newspapers—I do not remember which—prints the average cost and interest cost that the banks charge. They tell us so we can see, because I saw the prime rates of the banks. So each one will obviously have a different combination of costs.

Senator Guingona. But on the average, would we be correct to say that if there is a spread of 5 percent that meets the administration, the intermediation costs, et cetera, based on how much they are paying for deposits, they can now lend at corresponding interest rates 5 percent higher than what we have paid?

Senator Roco. I think that is very difficult to project, Mr. President. I have here a graph from 1992 to 1999, second quarter, and the spread: In 1992, it was 7.3%; it went down to 3.8% in 1993, third quarter. In fact, I wish the records could show that the graph is really very erratic. It went up to 5.28% in 1995; it went down again in 1998 to 3.45%. In the second quarter of 1999, it went down to 3.80%.

It is very difficult. I think if the Minority Leader is seeking for a formula so that we can peg in the law no higher than this, if that is the intention, we will cripple the free market.

Senator Guingona. Will it not be practical?

Senator Roco. The different banks have different costs. It is very difficult. I mean, the best we can do and which the bill does is that the Monetary Board in fact can, on a daily basis, manage the financial system.

Senator Guingona. May I know how they do it in other countries? Do they just leave it to the market?

Senator Roco. No. The Federal Reserve Board anticipates the market. I can only speak very scantily about the Federal Reserve Board only because I was watching the Federal Reserve Board meeting on August 24. For two, three months before August 24, it was known in the market, in *Business Week*, in *Newsweek*, in Bloomberg television. Everybody knew that the Federal Reserve Board would do something about interest rates and everybody was positioning. If one thinks that it would raise, then he positions accordingly. That is his risk, the risk based on his knowledge and analysis of the market.

As it turned out, one month before the Federal Reserve Board even operated, the market discounted. I think they

reached the conclusion that the increase in rates was one fourth of 1 percent.

So the whole stock market in the U. S. already adjusted. But if they were wrong, somebody would have lost money. True enough, the Monetary Board or the Federal Reserve Board can signal, but if it signals too far ahead, somebody will make money.

While they watch the market, if there is excess peso, they try to sop it up because under the Charter of the Bangko Sentral, if there is monetary aggregate, they must watch. Apparently they have a fight. I do not know. Some probably would want to be Monetary Board chairman just to understand it.

They have a system of watching all these. That is how it is done in the Federal Reserve Board as far as I can read about it. That is how I understand the Monetary Board is trying to operate. I suspect that is how the Boendes Bank of Germany and Lloyds of England operate.

I received a note here that there are various types of deposits from the very low cost of demand deposits to the higher cost of time deposits. The average cost of money to the bank approximates 91-day T-bill rates. As of now, it is about 8.5%.

In any event, on the point of how they manage, the superior information accessible to the Monetary Board which we authorize here to make adjustments is the one that gives them the ability to intervene or to keep away. Inactivity on its part, if deliberate, can also be a good policy. Sometimes we just do not act. We do not have to act all the time. This is what I understand of the financial system, Mr. President. I am primitive in my understanding of the financial system but it sounds correct.

Senator Guingona. So it would be impractical to...

Senator Roco. To put...

Senator Guingona. Because a universal bank, for example, I think can be treated as a class by itself and it does not have problems of cash flows or anything.

Senator Roco. It has problems. All of these banks have the same problems. The thrift banks have smaller amounts but the problems are the same.

Senator Guingona. Yes, but as far as universal banks are concerned, can we not put a cap so that the borrowers can be expected to...

Senator Roco. If the Minority Leader can give us a formula, I am certainly willing to look at it.

Senator Guingona. I will ask the Bangko Sentral ng Pilipinas people.

Senator Roco. They will never do it. I doubt if they can figure it out.

Senator Guingona. How about other countries? Are there no caps on spreads?

Senator Roco. That is impossible. Because if we are the bank, *parang pakyaw*, we may be a bank that wants a big spread for big transaction, one shot. But we may be a bank that wants many different transactions. Nakakapagod iyon—small spreads. But remember that if one makes 1 percent per day on his money, that is 365% in one year. Some banks may have a turn over time of 90 days. I do not know who is foolish enough to do that, but I know that most bankers would want, "1 percent today, *okey na iyan*." *Kung minsan palugi panga iyan. Basta tubo bukas.* So we balance that. Now, if we tell them that there is a magic number, somebody who is a real corporate genius and not extraditable will have to come up with that number.

Senator Guingona. I hope the distinguished sponsor would not mind.

Senator Roco. No, Mr. President.

Senator Guingona. The main basis for determining interest rates is the spread, not the inflation rate, not the T-bill rates, et cetera.

Senator Roco. I am not sure. I understand what the distinguished Minority Leader is asking.

Senator Guingona. The main basis.

Senator Roco. The Bangko Sentral ng Pilipinas law gives one duty to the Bangko Sentral ng Pilipinas, and the Monetary Board—to control inflation or what it calls "price stability." That is one of the main functions.

The other function is to increase competition. The price stability is borrowed from the values of the German bank because when there is too much inflation, all of us get deductions from our salaries and it is not even done by our employer. Everybody suffers. So that is sacrosanct insofar as I understand banking today. But increasing competition is a technique for each manager. Some have gone into ATM; others have gotten into small offices in rinky-dinky places where there are retail, so *sari-sarili*.

I subscribe, Mr. President, to those two fundamental functions—control inflation and increase competition. Within that

parameter, we leave these banks to their day-to-day operations. But again, like the interest rate, we cannot say, "The Monetary Board should control inflation so that inflation will never be in excess of 6 percent." I think it will go nuts and it cannot do it. The moment we start putting numbers, it will be very, very difficult to comply with and we cannot jail the officials if they cannot comply.

Senator Guingona. I think it would be impractical to say that lending rates should be so much. But saying that "the spread of banks shall not go higher than," would that be impractical? And then it would still be within the role of the Bangko Sentral to foster competition for other factors.

Senator Roco. As a lawyer, Mr. President, it is so easy to get around that. I can increase cost somewhere. Nobody will know unless appraisal becomes the function of the Monetary Board on a day-to-day basis, because a spread or increase of costs or costing depends. I mean, I just pay my president higher, the cost goes up.

Senator Guingona. Enforcement is another thing, but I am after whether that is a legitimate means of protecting the customers.

Senator Roco. That is the function of the Monetary Board; that is exactly the aspiration of the Monetary Board.

Senator Guingona. But the distinguished gentleman mentioned to me that the function is through other means not pegging the spread between deposit rates and lending rates.

Senator Roco. Because I do not know of a formula that can accomplish that. But if the Minority Leader can show me, I am willing to study it.

Senator Guingona. I thank the gentleman for that, Mr. President.

May I ask: What was the effect—because we allow the 10 foreign banks at 100% to come in and participate in the banking sector—of allowing the foreign banks 100% ownership? Have we spurred more competition in the banking industry and have we broken any banking cartel that was perceived in the past?

Senator Roco. I understand, Mr. President, that the rate of return on assets after liberalization went down. It used to be 2.51%, now it is 2.23% and it indicates that under the liberalized scheme, it has reduced the monopoly profits of banks. The rate of return on equity also went down. I can give this to the distinguished gentleman. It used to be 394,25.66%. All these are averages. It went down to 18.83%. So both rate of return on asset

and equity have gone down and have reduced the capacity apparently of the bigger banks to control or to cartelize. So, at least, up to now, we may be proven right. I do not know what will happen in the future.

Senator Guingona. May I have a copy, Mr. President?

Senator Roco. Of course, Mr. President.

Senator Guingona. Mr. President, I have many more questions to ask, but I can see that the enthusiastic audience is no longer present.

Senator Roco. Does it mean to say we bored them to leave the Hall?

Senator Guingona. Yes, in spite of interest rates.

Senator Roco. I think, Mr. President, we should close the debate and approve this *in toto* so that we will say that it was unanimously approved. *[Laughter]*

Senator Guingona. If only these people knew that the interest rates here affect their livelihood and future.

But, Mr. President, I just wish to thank the gentleman. I am not yet through.

Senator Roco. We do appreciate the concern of the Minority Leader. In fact, if he was not the Minority Leader, I probably will be asking the questions. But I could not ask myself the questions considering that our three remaining colleagues here are all coauthors of this bill. Actually, I can appeal to the *Rules* that authors cannot interpellate but I will not do that, Mr. President.

The Presiding Officer [Sen. Flavier]. The Majority Leader is recognized.

Senator Drilon. Mr. President, there are six more of our colleagues in my list who wish to interpellate, seven including the Minority Leader who suspended his time to interpellate.

SUSPENSION OF CONSIDERATION OF S. NO. 1519

Under this premise, I move that we suspend consideration of Senate Bill No. 1519 as reported out under Committee Report No. 29.

The Presiding Officer [Sen. Flavier]. Is there any objection? *[Silence]* There being none, consideration of Senate Bill No. 1519 is hereby suspended.

QUESTION OF QUORUM

Senator Roco. Mr. President, may we have a roll call.

The Presiding Officer [Sen. Flavier]. That is a signal for the Majority Leader to make a motion.

Senator Drilon. I join the motion of Senator Roco, Mr. President.

The Presiding Officer [Sen. Flavier]. There is a question of lack of quorum. The Secretary will please call the roll.

The Secretary.

- Senator Teresa Aquino-Oreta
- Senator Robert Z. Barbers
- Senator Rodolfo G. Biazon
- Senator Renato L. *Compañero* Cayetano ..
- Senator Anna Dominique M.L. Coseteng ..
- Senator Franklin M. Drilon Present
- Senator Juan Ponce Enrile
- Senator Juan M. Flavier Present
- Senator Teofisto T. Guingona Jr. Present
- Senator Gregorio B. Honasan
- Senator Robert S. Jaworski
- Senator Loren B. Legarda Leviste
- Senator Ramon B. Magsaysay Jr.
- Senator Blas F. Ople
- Senator John Henry R. Osmeña
- Senator Sergio R. Osmeña III
- Senator Aquilino Q. Pimentel Jr.
- Senator Ramon B. Revilla
- Senator Raul S. Roco Present
- Senator Miriam Defensor-Santiago
- Senator Vicente C. Sotto III
- Senator Francisco S. Tatad
- The President

The Presiding Officer [Sen. Flavier]. With 4 senators present, there is no quorum.

ADJOURNMENT OF SESSION

Senator Drilon. There being no quorum, I move that we adjourn the session until Monday, September 20, 1999 at three o'clock in the afternoon.

The Presiding Officer [Sen. Flavier]. Is there any objection? *[Silence]* There being none, the session is adjourned until Monday, September 20, 1999, at three o'clock in the afternoon.

It was 6:02 p.m.