

## RECORD OF THE SENATE

MONDAY, SEPTEMBER 20, 1999

### OPENING OF THE SESSION

*At 3:21 p.m., the Senate President, Hon. Blas F. Ople, called the session to order.*

**The President.** The 24th session of the Senate in 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. Rodolfo G. Biazon. After the prayer, the Commission on Audit Choir will lead us in the singing of the national anthem. Thereafter, the Choir will render another song entitled, "Tayo'y Mga Pinoy."

*Everybody rose for the prayer.*

### PRAYER

**Senator Biazon.**

Blessed are the poor, blessed are the people of East Timor, for in their struggle they have gained the support of Filipinos.

Blessed are the people of East Timor for the Filipinos are sending them financial assistance.

Blessed are the people of East Timor for Filipino soldiers will risk their lives for their freedom.

We pray to You, Heavenly Father, that Your blessing also come our way—

So that the people of Bohol who have been asking for help against the insurgents will also be sent a battalion of Filipino soldiers for their protection;

So that the scores of poor homeless Filipinos who continue to hang on to dear life in their shanties they call "home," hanging under bridges or along the banks of Pasig River, along the railroad tracks and the sidewalk, on top of garbage dumps and behind the seawalls will also receive financial aid from their *kababayan*;

So that our beloved countrymen will experience such charity from our neighbors, if not from Filipinos;

But most of all, we pray that parents will fulfill their obligations to their children first as the government must

consider its obligation to its citizens; and that Filipinos realize that home is where charity begins.

Amen.

### NATIONAL ANTHEM

*Everybody remained standing for the singing of the national anthem.*

### SUSPENSION OF SESSION

**Senator Drilon.** Mr. President, I move that we suspend the session for one minute to congratulate the members of the COA Choir.

**The President.** Is there any objection? [*Silence*] There being none, the session is suspended for one minute.

The Chair wishes to thank the Commission on Audit Choir for their inspiring song.

*It was 3:29 p.m.*

### RESUMPTION OF SESSION

*At 3:30 p.m., the session was resumed.*

**The President.** The session is resumed.

### ROLL CALL

The Secretary will please call the roll.

**The Secretary, reading:**

Senator Teresa 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 ..	Present
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 .....	*

\* On official mission

**Senator Drilon.** It is provided in the *Rules*. The chairman can create a subcommittee, Mr. President.

**Senator Magsaysay.** The chairman alone.

**Senator Drilon.** Yes, Mr. President. That is provided in the *Rules*.

**Senator Magsaysay.** Does the chairman have to put it in writing?

**Senator Drilon.** It does not have to be in writing. I would like to think that during a committee hearing, a subcommittee can be created.

Under Section 18 of our *Rules*, it provides: "The Chairman of each committee may designate the Vice Chairman or such Vice Chairmen of his committee and create such subcommittees as may be deemed necessary."

So it is the chair of the committee who has the prerogative to create a subcommittee as provided under Section 18 of our *Rules*.

**Senator Magsaysay.** Thank you, Mr. President.

**The President.** The Majority Leader is recognized.

**Senator Drilon.** Sen. Miriam Defensor Santiago wishes to be recognized, Mr. President.

**The President.** Sen. Miriam Defensor Santiago is recognized.

**Senator Santiago.** Thank you, Mr. President.

With reference to the first paragraph, the last sentence, it says: "The report must be approved by majority." May I know whether this is the absolute majority or just a relative majority?

**Senator Drilon.** This is the absolute majority of the regular members, Mr. President.

**Senator Santiago.** So it is absolute, and it goes on to say "by majority of the members thereof." May I know whether this refers to the entire composition, meaning to say both the regular and the *ex officio* members?

**Senator Drilon.** May I beg the lady senator's pardon, Mr. President? I did not quite get the question.

**Senator Santiago.** The last sentence states: "The report must be approved by majority of the members thereof." The

question is: Does the word "members" refer as well to the *ex officio* members?

**Senator Drilon.** It refers to the regular members, Mr. President.

**Senator Santiago.** Only to the regular members.

**Senator Drilon.** Yes, Mr. President.

**Senator Santiago.** So when we compute the absolute majority, it will simply be absolute majority of regular members.

**Senator Drilon.** That is correct, Mr. President.

**Senator Santiago.** Thank you.

MOTION OF SENATOR DRILON  
(Suspension of Consideration of Amendments  
to the *Rules of the Senate*)

**Senator Drilon.** Mr. President, I move that we suspend consideration of the proposed amendments until tomorrow's session.

**The President.** Is there any objection? [*Silence*] There being none, the motion is approved.

The Majority Leader is recognized.

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

**Senator Drilon.** We are still in the period of interpellations. May I ask that the principal sponsor, Sen. Raul S. Roco, be recognized.

**The President.** Sen. Raul S. Roco is recognized.

**Senator Drilon.** Mr. President, I ask that Sen. Miriam Defensor Santiago be recognized for the interpellation.

**The President.** Senator Santiago is recognized.

**Senator Santiago.** Mr. President, may I please inquire from the sponsor, who is rightfully the sponsor considering his extensive background in banking law, whether he would extend to me the courtesy and the gallantry of yielding the floor so that I can raise a number of points concerning the instant bill.

**Senator Roco.** Mr. President, I find the request irresistible in character. Will the lady senator please move forward? I cannot move because the staff is here.

**Senator Santiago.** This sounds like my household. A male tells me what to do and I promptly comply. *[Laughter]*

**Senator Roco.** The reverse is true in my household, Mr. President. So I guess we are on equal grounds.

**The President.** So Senator Santiago will have the floor.

**Senator Santiago.** If the distinguished gentleman will allow, Mr. President, I would like to give fair notice that this is a voluminous interpellation paper consisting of 10 pages. I propose to stop or to take a recess by the fifth page or halfway through the interpellation so that I can give an opportunity to our colleagues this afternoon to interpellate, if they so wish. Not all of these items in my interpellation paper are questions. Some take the form of comments and on this basis, I shall request the reaction of the sponsor. I shall refer to the sections in the order in which these appear in the bill.

First, I shall refer to Section 2.2 on page 1 of the bill which classifies banks. The bill provides a separate classification for branches of foreign banks covered by Republic Act No. 7721.

It is my humble submission that branches of foreign banks covered by Republic Act No. 7721 should not constitute a separate and distinct class because: (a) banks are supposed to be classified on the basis of the scope of their authority and not on the basis of the law under which they are authorized to operate as banks; (b) while there are indeed special provisions applicable to branches of foreign banks authorized under Republic Act No. 7721, these branches of foreign banks are, in fact, operating as commercial banks since they have full banking authority. Thus, it is my humble submission that there is no need to classify them separately.

Giving branches of foreign banks a separate classification gives the impression that they are an entirely distinct class when there is no intention to actually distinguish them from other banks. In fact, Section 8 of Republic Act No. 7721 provides:

Foreign banks authorized to operate under Section 2 of this Act shall perform the same functions, enjoy the

same privileges and be subject to the same limitations imposed upon a Philippine Bank of the same category.

This passage that I have just cited implies that foreign banks operating in the Philippines pursuant to Republic Act No. 7721 belong to or are classified according to preexisting classification or categories of Philippine banks.

Finally, (c) the proposed classification creates an unnecessary distinction between branches of foreign banks licensed to operate in the Philippines prior to Republic Act No. 7721 and those authorized pursuant to the said law. My examples are Citibank, Hong Kong and Shanghai Banking Corporation and those authorized pursuant to Republic Act No. 7721.

I have given three reasons I believe—and I humbly submit—branches of foreign banks should not be classified as a separate class of banks under Section 2.2. May I please have the reaction of the distinguished sponsor on this humble submission?

**Senator Roco.** Mr. President, the lady senator is correct. The enumeration does not or should not really comprehend the branches of foreign banks. The lady senator also pointed out correctly that the subsidiaries and branches of foreign banks established under BSP Circular No. 51 are, in fact, allowed to perform the same functions, enjoy the same privileges and be subject to the same limitations imposed upon a Philippine bank of the same category.

The category can theoretically be universal or commercial. Again, theoretically, it can be thrift banks, rural banks or even a cooperative bank.

So in terms of tightening up the enumeration, we can really have this deleted, Mr. President, but it will require some wordings so that we do not have to repeat—when we say universal or commercial—as a foreign bank's branch or as a main bank registered as universal, commercial, thrift banks or whatever. But we will certainly welcome suggestions to improve the enumeration.

**Senator Santiago.** Mr. President, before I initiated this interpellation, I was tentatively of the impression that the distinguished sponsor of the bill is one of the country's leading experts in banking law.

Now that he has responded affirmatively to the first question I have raised, I would like to say that the impression is no longer tentative. It is now my permanent impression that the gentleman is one of the country's best experts in banking law. So with his further permission, I would like to proceed.

**Senator Roco.** [Laughter] Mr. President, may I just react. This gallantry, or if the lady senator wishes a gentle manner of addressing questions to this representation, compels me to almost accept any amendment that the lady senator wishes to propose.

**Senator Santiago.** Thank you.

I will proceed to Section 3.6.

**Senator Roco.** Yes, Mr. President. We are referring now to Section 3.6.

**Senator Santiago.** That is on page 2, lines 28 to 29, the line which begins "The Bangko Sentral shall also supervise..."

**Senator Roco.** Yes, Mr. President.

**Senator Santiago.** I most respectfully submit, Mr. President, that this first paragraph appears to be erroneous and may have to be deleted or amended to make it consistent with existing law and the Constitution.

The Bangko Sentral ng Pilipinas (BSP) does not have the power of supervision over quasi-banks. It only exercises regulatory authority over quasi-banks.

Pursuant to Section 3 of the BSP Charter, which is in turn based on Section 20, Article IX of the 1987 Constitution, may I beg permission to quote as follows:

It shall have supervision over the operations of banks and exercise such regulatory powers as may be provided by law over the operations of finance companies and other institutions performing similar functions.

The present General Banking Act distinguishes between "supervision" on the one hand and "regulation" on the other hand, the latter being the more limited authority.

Please allow me to note further that the BSP not only lacks supervisory authority, but also lost effective 01 January 1999 this year its regulatory function over all nonbank financial intermediaries which do not perform quasi-banking functions.

Section 130 of the BSP Charter provides:

The Bangko Sentral shall, within a period of five (5) years from the effectivity of this Act, phase out its regulatory powers over finance companies without quasi-banking functions and other institutions performing similar functions as provided in existing laws, the same

to be assumed by the Securities and Exchange Commission.

With this as a background, may I please request the response or the reaction of the sponsor to the point I have made concerning the constitutional limitations on the powers of the BSP.

**Senator Roco.** Yes, we recognize the constitutional quotation, Mr. President. But with the passage of Republic Act No. 7653, when we define the primary objective of the Bangko Sentral as the maintenance of price stability conducive to a balanced and sustainable growth of the economy and the promotion and maintenance of monetary stability and the convertibility of the peso, there may be good reason to support the supervisory powers under these terms.

But again, Mr. President, we certainly will consider and we are not hostile to other recommendations in this regard.

For prompt, corrective action—I understand that in the banking circles, they have a technical meaning to it—it may require this definition or this paraphrase in lines 29 to 32. But, again, we are not hostile to a rewording of the terms.

**Senator Santiago.** I thank the gentleman for that, Mr. President. I am encouraged by this attitude. Possibly, during the period of amendments, I shall suggest an amendment in style only. Maybe we could use a term such as "operational supervision" just to hew closer to the constitutional restriction.

I will now go to page 3, lines 21 to 23, referring to Section 5 of the bill.

**Senator Roco.** Yes, Mr. President.

**Senator Santiago.** It is provided here in Section 5 that entities authorized by the Bangko Sentral to perform universal or commercial banking functions shall likewise have the authority to engage in quasi-banking functions. Given that branches of foreign banks authorized to do business in the Philippines under RA No. 7721 are a class distinct from universal and commercial banks under the proposed Section 2.2, does it mean that they do not automatically have quasi-banking authority and should apply for a quasi-banking license separately? Of course, if we should amend Section 2.2 along the lines I indicated in my first question, then this present question will become unnecessary.

**Senator Roco.** Yes, that is correct, Mr. President. In fact, the reason for this, when we were drafting the bill, was the current practice of the Bangko Sentral of requiring separate licensing for quasi-banks. So we thought there would be a provision that catches it in this manner. But as pointed out, if in an earlier

provision we can redefine what quasi-banking or those supervisory powers of the Bangko Sentral are, then this can also be reworded.

**Senator Santiago.** I thank the gentleman for his answer, Mr. President.

I have duly noted down this permission to proceed along the lines indicated by the sponsor and, with his permission, I would like to proceed to page 4, Section 6.

**Senator Roco.** Page 4.

**Senator Santiago.** Mr. President, Section 6 is a very short sentence. It reads: "Examination by the Bangko Sentral. - The Bangko Sentral shall have authority to examine an enterprise which is wholly or majority-owned or controlled by a bank." It is on these phrases that I would like to seek illumination.

The phrases or the terms "majority-owned" and "controlled by a bank" are used several times in the proposed Act. My humble submission is, this being so, these terms should have a definition in the bill. And in crafting a definition, I would like to raise the following questions: Should majority ownership be determined on the basis of the number of shares? If so, should the shares be voting and nonvoting? Or should majority ownership be based on the amount of capital contribution, that is, in peso terms?

Mr. President, I shall ask all the questions now and then I shall raise them again individually because they are a cluster of questions.

**Senator Roco.** Yes, Mr. President.

**Senator Santiago.** My second question is: When is an entity to be considered "controlled" by a bank? Is "control" limited to direct control? Should indirect control be relevant? Should we not fix a percentage of ownership which shall give rise to a presumption that the bank has control over another entity, for example, 50 plus one?

Finally, for this cluster of questions: Under the Manual for Regulation for Bank, "control" means a total, direct and indirect ownership of over 30 percent or 20 percent, as the case may be, in corporate stockholders of banks. So let me raise these questions one by one.

Should we not define the term "majority-owned" and the term "controlled by a bank?"

**Senator Roco.** Again, Mr. President, we are not hostile to the concept of defining. Initially, in fact, the draft had, I think, six

pages of definitions. But we have noted that in sponsoring various bills, so much time is spent on definitions. So we thought, precisely, to preclude conceptual discussions and debate which, while it is useful, does not necessarily help promote the bill in the legislative process, so we thought of skipping all the definitions.

But should there be definitions proposed later on, we would request the individual proponents to just add these on to the specific section, and thereafter, we can utilize the lawyerly hereafter defined or hereafter referred to as majority or fully controlled banks.

"Equity" in this case, Mr. President, refers to both amount and voting participation. I suspect the premise of the lady senator in asking for the distinction between amount and equity is, there might be a possibility of no-par-value stock which is not allowed for banks.

So that here, Mr. President, the equity participation will be attached and will correspond as well to the amount, the majority having control. I do accept that in the manual of banks, there seems to be a definition of "direct individual control" which arises from the present Section 12 of the General Banking Law.

Under the present Section 12 of the General Banking Law, Mr. President, if my memory serves me correctly, we have a maze of definitions of ownership. It has a classification of 20% for individuals; there can be 30% under certain circumstances; foreign ownership can be 30% but can be raised up to 40% under certain circumstances; and because of the liberalization of banks law, under certain circumstances, there can also be 60%. But should a foreign bank register directly with the SEC, it is theoretically possible that the foreign bank has a limitation of 60% under the present practice.

"Control"—direct and indirect—if the lady senator wishes to define this, Mr. President, again we can discuss the definitions. I would suggest, however, that we refrain from specific definitions that may be covered by Monetary Board regulations, so as not to impede the flexibility of the Monetary Board.

So those are my efforts to respond to the question on equity, amount, direct or indirect control. Section 6 was made necessary to determine or lay to rest any debate on whether the Monetary Board can look at corporations owned as a subsidiary or as a controlled corporation by a bank whose balance sheet is either consolidated with the bank or in some instances may not be consolidated.

To avoid debate on future issues of this nature, Mr. President, this section is recommended so that the authority to examine an enterprise, wholly or majority-owned or controlled by a bank,

shall no longer be subject to issue. It is really part of the old Section 21, but which we reiterate separately. I hope that satisfies our distinguished friend.

**Senator Santiago.** Yes, Mr. President. But for purposes of clarity in the record, may I just raise this question please.

**Senator Roco.** Yes, Mr. President.

**Senator Santiago.** Is the majority ownership to be determined on both the basis of the number of shares and the amount of capital contribution? Or only one of these elements—number of shares or capital contribution?

**Senator Roco.** I cannot visualize where it is on a majority of shares, unless we reclassify shares. If we are the majority of shares, I would imagine—unless we have separate amounts or separate value on a different classification of shares—we would conform to each other.

**Senator Santiago.** Assuming that is so, if we define majority ownership to be based on the number of shares, would those shares be both voting and nonvoting?

**Senator Roco.** I have not really thought about the nonvoting provisions, the nonvoting shares. I must give a tentative answer because we are getting into the shoals of corporate finance on top of the banking law which is fairly difficult.

I would imagine that while preferred shares, which have preferences as to dividend but not as to voting and, therefore, have priority over other stockholders in a bank, normally may not be classified as a loan in corporate law, in a banking situation—and this is hazarding an opinion for now—but may be seen more as a loan only because of its effect. I will take advice on this and get back to our distinguished colleague.

**Senator Santiago.** I would like to thank the gentleman for that. Still on this point, when should an entity be considered controlled by a bank?

**Senator Roco.** May I interrupt?

**Senator Santiago.** Yes, please Mr. President.

**Senator Roco.** The staff calls attention to Section 8 and says that maybe this will help. It says: "No bank shall issue no-par-value stock. For the purpose of determining compliance with laws and regulations governing capital and equity structure of banks, the Monetary Board may prescribe rules and regulations on the types of stock a bank may issue, including the terms thereof and rights appurtenant thereto."

It does help only in the sense that we will leave to the Monetary Board the definitions of these different categories of stocks which should not be a no-par-value stock.

The reason for the prohibition against the no-par-value stock is that the corporate practitioners will tell us that it is one of the best ways to control a company. I think PLDT is one such effort, although it did not use the no-par value. But if our colleague, Senator Enrile, were here, when he was practicing law, his expertise was the no-par-value stock as a control mechanism. The reason it is dangerous is that it may not conform, in fact, to the risks to which the owners are exposed.

Again, it is my original opinion as expressed. I will examine it further but that is how I can offer as an answer to the lady senator.

**Senator Santiago.** Just one thought on this matter of Section 8. It becomes then a question of whether we want to leave to the Monetary Board the definition of what is a no-par-value stock or whether we want to exercise this power ourselves by means of a specific provision in this bill. Like the sponsor, I will need time to think this over. For the moment, I am more interested in getting a reaction to the question of whether we should fix a percentage of ownership which would thereafter give rise to a presumption that the bank has control over another entity. Does the gentleman have any objection if we quantify ownership such as, for example, 50 percent plus one?

**Senator Roco.** Actually, I have no strong objections. In fact, I am trying to visualize how it makes more helpful, how the bill becomes more helpful with a definition of the majority ownership. I myself, Mr. President, tend to use words in the way it is used in other laws. I try to adhere to the dictum that as we pass this bill, it must be put in the context of the body of laws. Especially among lawyers, we just understand what we refer to.

My problem personally with putting new definitions is we tend to have a new body of laws when we discuss this particular bill. My suggestion is to use terms such as "no-par value" in the way it is meant in corporate law. Therefore, we do not have to have disagreements or violent discussions in court later on how we, in banking, refer to no-par value and how they in corporate finance or corporate law would understand no-par value.

That is my bias. But again, since we are evolving a body of laws, I have no particular objection to making clear statements of how we use the words.

**Senator Santiago.** Or, in the alternative, Mr. President, we could just refer to a single reference material such as the Manual of Regulations for banks so that we can avoid debates and possible controversies.

**Senator Roco.** That can be done as long as there is a time frame because the problem is that the manual evolves. So, we have a running definition sometimes and with the way financial practices are evolving, the way derivatives—and this is one of the problems the Minority Leader and I had when we were discussing derivatives—are evolving so rapidly, the definitions and elements even of derivatives or some financial practices change in hue or color and the Monetary Board must catch, as it can catch, in trying to maintain stability of the financial situation in the Philippines.

So, this is my only concern. Otherwise, these matters can be accommodated by our committee, Mr. President.

**Senator Santiago.** Thank you, Mr. President. The point is very well-taken.

I shall now go to page 5, Sections 8 and 9. Section 8 is subtitled "Issuance of Stocks" and Section 9 is subtitled "Treasury Stocks."

A cursory reading of both these sections will reveal that they are apparently intended to apply only to domestic banks, by which I mean banks incorporated in the Philippines regardless of the nationality of the stockholders.

If my impression is correct, should we therefore not insert the word "domestic" in the first sentence of both these provisions so that they will read "No domestic bank"?

**Senator Roco.** Again, we are not hostile to the idea, Mr. President, but let us dwell on it a little.

**Senator Santiago.** Yes, Mr. President. So, I shall proceed, still on the same page 5, to Section 10, *Foreign Stockholdings*.

I have extensive thoughts as regards Section 10, on *Foreign Stockholdings*. The first thought is: There is a need to confirm whether it is the intent of this particular section, together with Section 71 of the proposed Act, to actually further liberalize the entry of foreigners in the Philippine banking industry after it has been liberalized under RA No. 7721.

I respectfully submit that we should note that such further liberalization needs to be studied more thoroughly because it has significant policy implications.

I also respectfully submit that we should also note that under Section 10, foreign individuals and nonbank corporations may own up to 40% of the voting stock of a domestic bank. There are no qualifications prescribed to be satisfied before these foreigners are allowed to buy as much as 40% equity in Philippine banks.

It is my humble opinion that it appears to be irregular that while RA No. 7721 has set very stringent qualifications or requirements for existing foreign banks to be able to acquire a maximum of 60% equity in a domestic bank, no conditions or qualifications whatsoever are imposed on foreign nonbank institutions and individuals acquiring 40% equity. While 40% is not a majority stake in the bank unlike a 60% stake, I am concerned that it is very possible that 40% voting equity already constitutes controlling equity particularly if the bank is a publicly listed bank.

Furthermore, in determining the citizenship of a corporation on the basis of the citizenship of the controlling stockholders of the corporation, should we not define what the meaning of "controlling" is? Does that mean 50% plus one? And beyond that, if it is 50% Y nationality and 50% X nationality, how would the citizenship of the corporate stockholder be determined?

May I please request first a reaction to the points that I raised about further liberalizing entry of foreigners in the industry and then what seems to me the irregularity that while there are very strict qualifications for 60% equity, acquisition of 40% equity on foreign nonbank institutions is liberal?

**Senator Roco.** We will have to seek more statements on how we treat them differently. There was no intention to treat them differently. In fact, the intention was to treat them in the same way. There is, in fact, a recommendation in this bill that 100% can be owned by a banking corporation. Because under the law on liberalization of foreign banks, a banking corporation that is listed and therefore widely owned can own up to 60%. But in the committee discussions, up to now—and I am willing to be persuaded differently—I find it difficult to find a good, cogent, legal reason that distinguishes the control of a 60% ownership and a 100% ownership.

Assuming somebody wants a whole 100% ownership,—because normally, businessmen like to say "risks"—allowing him 100% does not mean that anybody will just buy 100% ownership. But it does give an incentive to some foreign banks which cannot find a local partner, and this is amazingly the justification that I hear from Secretary of Finance Edgardo Espiritu and Secretary Medalla. It gives flexibility to the foreign banks which cannot find a local partner. So the bias is in favor of liberalizing further. That is absolutely correct.

In terms of control, the recommendation of the committee was to depart from the "grandfather rule" of looking at the ownership and the stockholding of the owning foreign banking corporation. We will just have to look at the citizenship and we will no longer follow the "grandfather rule" if this recommendation is followed, Mr. President.

If a banking corporation is incorporated in Delaware, for instance, but 60% are Filipinos or 51% are Filipinos, then we shall consider it a Filipino corporation in that respect. If it is American, then it is not only a foreign bank but it is controlled by American citizens. So there is greater flexibility.

We understand from the banking circles that there is some division in their opinion. Some local banks prefer to maintain the 30% and there is a business reason for this. It gives premium to the 40%. I can see how an old stockholder can benefit from that premium, in the sense that if he owns a bank and he is holding 40%, therefore he is more precious to his foreign partner.

On the other hand, those who keep pushing for globalization and saying that we must compete abroad in the same terms have given me their opinion that removing the ceiling on foreign ownership makes water, in terms of competition, seek its own level in the banking industry. The reason for this is that money has become part, has gone global, I mean the peso is affected by the yen, by the ringgit, by the yuan, by the U.S. dollar, by the Euro. There is very little we can do about it no matter how we want to isolate the country.

Having become part of a global asset community—if that can be an appropriate way of describing money and money business—the ownership then becomes less insidious as a danger to national security, regardless of the bias for further liberalization and the controlling stockholder question.

As for the 50 plus one, when we have two nationalities of “Y” or “X,” I guess whoever gets the one becomes the controlling.... [Laughter] Whatever the nationality of that “X” or “Y” may be.

**Senator Santiago.** In the meantime, Mr. President, if there is a standoff, if each nationality of “Y” or “X” has only 50%, what then would be the citizenship?

**Senator Roco.** Again, I must confess that I have not thought about it. It is unlikely from what I have seen of bank mergers—even during the period of the late 70’s, when there was an effort to merge and then unmerge, the banks being one of the more notoriously clever in computing financial control of corporations—where two banks decided on a 50:50 ownership, but it may be because of limited exposure. They generally intend to have 40:40:20. Then even in the widely owned companies that grew like the Asia, the Insular Bank before, they also defined ways of 30:33:33 and then somebody holds one, so that a Mexican standoff of sorts will be avoided.

Those are the answers, I hope, that will touch cogentially and directly the questions raised by our friend.

**Senator Santiago.** I would like to thank the sponsor, Mr. President.

In the light of those remarks, please allow me to restate that under Section 10, foreign individuals and nonbank corporations may own up to 40% of the voting stock of a domestic bank. Is it therefore the contemplation of this bill—although we all know that 40% is not a majority stake, unlike a 60% stake—to allow foreigners, foreign individuals and nonbank corporations to hold controlling equity? Because there are many circumstances when 40% voting equity can become controlling equity.

**Senator Roco.** May I call attention to Section 71 which was called to our attention already? In Section 71, the Monetary Board may authorize a foreign bank to acquire up to 100%. So that is a foreign bank.

In Section 10, we have a foreigner effectively—actually, if there is a redundancy of saying “foreign individuals,” maybe we can say “foreigner,” but it sounds not so good. But a foreign individual, a non-Filipino and a nonbank corporation, a nonbank foreign corporation can own up to 40%. A nonbank corporation may be Johnson and Johnson, a manufacturing entity. It may want to own and tie up with the bank. But because it is not in the business of money and it is in the business of commerce or trading or manufacturing, the old bias of avoiding concentration of wealth and power and combining money business with commercial business is shown in Section 10.

So we restrict a nonbank corporation, a manufacturing company or a food corporation to 40%, a foreigner and non-Filipino to 40%, but a foreign banking corporation may be allowed by the Monetary Board to own up to 100% because of antecedent statements I have already tried to explain, Mr. President.

**Senator Santiago.** I would like to thank the sponsor, Mr. President.

I will proceed to Section 11, still on page 5, which is subtitled “Stockholdings of Family Groups.” The caption is “family groups” but the definition refers to “related interests” and not to “family groups.” I also noted that the definition of the term “related interests” that is given in this Section 11 is actually the definition of “family groups” under the Manual of Regulations for Banks. The Manual of Regulations for Banks, as revised, defines “family groups” as consisting of persons related to each other within the third degree of consanguinity or affinity. Therefore, should we not change the term “related interests” in line 30 to the term “family groups”?

**Senator Roco.** Yes, Mr. President. We can see the wisdom of that suggestion. Because of the definition, it does conform to



each other so that the family groups refer correctly to related interests. We can amend that.

May we just call attention to something that is new here. That is the relationship up to the third degree of consanguinity or affinity. We qualify with the phrase "legitimate or common-law." This is unusual. It is going to be the first time we shall have a similar definition only because of the awareness, I think, that there are common-law families. What happens is that legitimate family is prohibited, for instance, at certain limits in single borrowers or in DOSRI accounts. But if one is not legally married, then all his or her children under his common-law wife or husband are not covered by any of these prohibitions. It is almost unfair to the legitimate wife or husband. That is why there is a new provision which I hope can be accepted in terms of its practicability today.

**Senator Santiago.** Yes, Mr. President, that is unusual and extraordinary, but I do not see any compelling reason to take particular note or even to criticize that provision. So I shall go on to page 6, Section 14, on the Board of Directors.

In Section 14, the terms provided digress from the provisions of the Corporation Code in that it requires a minimum of seven instead of five directors. Should we not include the phrase "the provisions of the Corporation Code notwithstanding"? Just to eliminate any possible sources of obfuscation?

**Senator Roco.** Yes, Mr. President, that is correct. We thought we would cover it in the amendatory clause. But putting it here will certainly improve the clarity of the amendatory intent.

**Senator Santiago.** Mr. President, I further noted that the number of independent directors has been fixed to two. It is clear that the requirement that there should be two independent directors was based on the assumption that there are seven directors.

**Senator Roco.** Yes, Mr. President.

**Senator Santiago.** What if there are 15 directors? Is the bank also only required to have two independent directors out of the 15? Two independent directors out of seven may be effective in serving their purpose as independent directors in the board, but not, I submit, if there are already 15 directors or even more in cases of merger and consolidation.

**Senator Roco.** The committee will welcome amendments to effect proportional increase in the number of independent directors.

**Senator Santiago.** Am I correct that the intention of this

provision is for banks to have a maximum of 15 directors as prescribed under the Corporation Code?

**Senator Roco.** That is correct, Mr. President.

**Senator Santiago.** If that is so, then I respectfully submit that since the minimum number of directors is provided, the maximum number of directors must also be specified in Section 14 for clarity.

**Senator Roco.** We will welcome that, Mr. President, at the appropriate time. Somewhere in this mass of pages also, however, there can be an instance where the board of directors may be more than 15. In the case of merged or consolidated banks in Section 16—because, again, we are encouraging the merger and consolidation of banks—the Monetary Board may allow the number of directors to go beyond what is provided for in the Corporation Code at an initial stage. So that if both have 15, they may have a board which would be bigger than the Senate—a board of 30, the total number of directors provided in their respective articles.

I do think though that there should be a phaseout of such a big board. As I remember in the old manual—and for some time I have not been in the practice of law actively the way we were active before—there was a phaseout so that in the consolidated or merged banks, 15 become advisers. They sit in board meetings; they get their allowances and whatever perks may be allowed to advisers. But eventually, in the final composition of the board, they have to whittle down to a manageable number allowing for a dispersed kind of ownership.

In the instances where there was a bigger bloc,—well, there was never any discussion about the other members of the board—obviously the prevailing majority just dominated the discussions and they were therefore held responsible. That is when the independent directors become truly useful. Because when people start talking to each other as members of one group, the homogeneity no longer serves the function of collegiality and instead of good business judgments, one can fall in love with hidden interests, with some or the other directors.

So those are the inputs I can give the lady senator, and I hope they can help. Thank you, Mr. President.

**Senator Santiago.** I would like to finish Section 14, if the Senate President will allow me, I shall stop at that point so that the next senator listed can take his turn and I can resume my interpellation at a later date.

So Section 14, page 7, lines 6 to 9.

**Senator Roco.** Yes, Mr. President. But before the lady

senator propounds a question, here on the pages of my notes, at some time, we will propose to delete the proviso. This is probably a slip in drafting.

The intent here is that there can be collegial action through teleconferences where everybody participates. But if the majority of the directors are physically present, then there is no additional benefit to teleconferencing.

It seems to me that the more contemporary corporate practice of allowing board actions as long as everybody is really plugged into the conference of the board of directors and everybody can hear what is going on will alleviate the quorum problem of some banks when the board of directors are traveling fairly regularly. But then, the question please.

**Senator Santiago.** The remarks of the sponsor are directly to the point and that eliminates the need for raising the question. Since his attitudes run parallel to mine, I hope I will be allowed to say that Section 14 recognizes the validity of meetings carried out through high-tech means, and I have a problem with the proviso.

As I said, since the sponsor has indicated that the proviso will be eliminated, there is no more need to raise the question. But I just want to join him in the thought that this last proviso,—I am referring to the lines which read: “*Provided*, That a majority of such directors are physically present”—it seems, defeats the very purpose of allowing high-tech meetings. It is precisely in cases when less than a majority of the directors are present that high-tech meetings have to be resorted to. If at least a majority can be physically present more often than not, the quorum is already satisfied and the participation of directors who are not physically present would no longer be necessary.

**Senator Roco.** That is correct, Mr. President. And we will welcome it if the lady senator, at the appropriate moment, would suggest that this be deleted.

**Senator Santiago.** Thank you, Mr. President.

Mr. President, I do not derive a very high level of inspiration from the present population of the Senate at this hour. And so with the permission of the Chair, I would like to observe a recess in my interpellation to give way to the next senator to resume it at the pleasure of the Chair.

Thank you.

**Senator Roco.** We share the state of inspiration or lack of it with the lady senator, Mr. President.

Thank you, Mr. President.

**The President.** The Majority Leader is recognized.

#### SUSPENSION OF SESSION

**Senator Dilon.** Mr. President, I move that we suspend the session for one minute.

**The President.** The session is suspended for one minute, if there is no objection. *[There was none.]*

*It was 4:40 p.m.*

#### RESUMPTION OF SESSION

*At 4:42 p.m., the session was resumed.*

**The President.** The session is resumed. The Majority Leader is recognized.

**Senator Dilon.** Mr. President, Senator Cayetano wishes to ask questions of the sponsor, if the sponsor will yield.

**The President.** Sen. Renato L. *Compañero* Cayetano is recognized.

**Senator Cayetano.** Thank you, Mr. President.

Will the gentleman from Bicol and the Philippines yield for some clarificatory questions, Mr. President?

**Senator Roco.** All the time, Mr. President, to the gentleman from Taguig, Pateros, and Michigan.

**Senator Cayetano.** Thank you, Mr. President. I am pleased that the gentleman from the University of Pennsylvania, the second best school to Michigan Law School, has yielded for some clarificatory questions.

**Senator Roco.** We will accept that because he is about to interpellate, Mr. President.

**Senator Cayetano.** Mr. President, in view of the expanded functions of universal and commercial banks which include, among others, the acquisition and ownership of rural banks and thrift banks, does the gentleman think it is still useful to have rural banks and thrift banks in view of the ownership of most of these small specialized banks by universal and commercial banks?

**Senator Roco.** The more so, Mr. President, because the big boys tend to take care of the big boys. The expanded commercial banks have a wholesale mentality in banking and money business.

The commercial banks follow suit with certain limits because they have a lower paid-in capital. But the small, the medium, the microfinance are very often given by thrift banks, by the rural banks and, I think, probably by even some cooperative banks. So the more so. Somebody has to take care of the medium, the small and the microfinance.

**Senator Cayetano.** Thank you, Mr. President.

In that context, yes, I would admit the need. But as far as the operation of these thrift banks and rural banks is concerned, the moment they are acquired by commercial and universal banks, people complain—when I say “people,” I mean those who are normally served by the thrift banks and commercial banks—that they are being treated as big-time borrowers. The relationship between these smaller banks—thrift and rural banks—*vis-a-vis* the fishermen and farmers with respect to lower interest and with respect to “better accommodation” is long gone because these banks are now being operated and owned by these “big-time boys,” so to speak. The rural banks or thrift banks, which are supposed to be *para sa mahihirap na mangingisda at magbubukid*, are now being treated like big businessmen. I think it is in this context, Mr. President, that I am asking this question.

**Senator Roco.** Yes, Mr. President. In fact, I was consulting with the staff if we are familiar with similar acquisitions. They can only mention UCPB as having acquired rural banks. But we are not familiar of any complaint about acquisitions or that it has been particularly deleterious to the business community being serviced by the rural banks. We are not familiar nor do we have the data now of any other expanded commercial bank as having acquired rural banks. We are familiar with one foreign bank that was organized initially as a savings bank but sold it subsequently, I think, to.... Is it the Bank of America Savings?

**Senator Cayetano.** Yes, Mr. President.

**Senator Roco.** There are some savings banks which have been transferred to others but that is the extent of our information, Mr. President. We will need more details from our friend on the statement about complaints coming from those being serviced.

**Senator Cayetano.** I certainly would love to present those complaints, Mr. President. My point is just on the matter of policy. I know one universal bank, which I will tell the sponsor in confidence, that really acquired, if not put up, thrift banks or rural banks.

As I said, the special treatment that normally goes within the relationship between these smaller banks—the thrift and rural banks—*vis-a-vis* the small borrowers is long gone precisely because these small borrowers are being treated now as big-time borrowers.

Anyway, I would certainly appreciate the point of the sponsor, Mr. President—that he is not averse to getting some information with respect to the operation of thrift and rural banks that may have been acquired by universal and commercial banks.

**Senator Roco.** We will welcome that, Mr. President, because I guess that is part of our job description. May we just point out that in the acquisition of some rural banks or thrift banks, these banks do not become totally absorbed by the buying bank. In fact, the thrift banks, because of the particular benefits under the Thrift Bank Law, and there are a lot.... Thanks to the Senate, because that was the version approved here during the Ninth Congress. I know that some commercial banks find it truly useful to buy a thrift bank, but a thrift bank still maintains its separate identity. The commercial banks do not absorb the thrift banks; they do not get consolidated into the mother company. These commercial banks operate them; they are more economical. They can service a wider market because they service smaller people who require less financing than what they serve in the commercial or in the expanded bank.

Because of the nature of the operations of the big banks, they have higher overhead. So when these big banks process a P100,000 loan, it is as expensive as when they process a P10-million loan, and therefore they go for the P10 million. But to a thrift bank, a P100,000 loan can be as profitable, in terms of percentage, as a P50,000 loan, depending on the operations and efficiency of that thrift bank, Mr. President.

**Senator Cayetano.** Thank you, Mr. President.

Mr. President, under Section 10, page 5, *Foreign Stockholdings*, it says: “Foreign individuals and nonbank corporations may own up to forty percent (40%) of the voting stock of a domestic bank.”

**Senator Roco.** Yes, Mr. President.

**Senator Cayetano.** Mr. President, am I correct to assume that there are no constitutional prohibitions with respect to ownership by foreigners of domestic banks?

**Senator Roco.** No, Mr. President. Banks are not among the nationalized service businesses under Article XII of the Constitution. They refer to natural resources and not to services, as in banks.

**Senator Cayetano.** I thank the gentleman for that, Mr. President.

Therefore, it is theoretically possible for foreign individuals or nonbank corporation to own 100% of a domestic bank.

**Senator Roco.** Yes, Mr. President. May I ask my good friend to just look at Section 71.

**Senator Cayetano.** Yes, Mr. President. In fact, I am going to relate to that, Mr. President.

**Senator Roco.** In which case, we are in tandem and we are working on the same channel, Mr. President.

May I again point out, as we did with our distinguished lady senator from Iloilo, that foreign individuals can own up to 40% as recommended and a nonbank corporation like—I will use Johnson & Johnson; for some reason I keep remembering that it moved out—Johnson & Johnson can own up to 40% to keep money and commercial activities separate to the extent possible. But a foreign banking corporation may be allowed by the Monetary Board to own up to 100%.

So those are three. There is a limitation of 40% for foreigners, non-Filipinos or nonbanking corporations. But a foreign banking corporation may be allowed by the Monetary Board under Section 71 of the bill.

**Senator Cayetano.** That is Section 71, page 33.

**Senator Roco.** That is correct, Mr. President.

**Senator Cayetano.** I thank the gentleman for that, Mr. President, because I am going to relate particularly this Section 10 on page 5 to Section 71 on page 33.

But having been anticipated by the good sponsor, Mr. President, may I just ask again differently: Why should we ban, limit or restrict foreign individuals or nonbank corporations up to only 40% of the voting stock of a domestic bank?

**Senator Roco.** Yes, Mr. President. My distinguished friend will remember probably in some commercial law subject in Michigan—if it is as good as 10. But he will remember, I am sure, Mr. President. The whole bias under American law of keeping commercial activity from money activity is the antitrust which, I think, the Lakas senators have filed as an antitrust measure. One of the reasons for keeping money away from commercial activities was to prevent concentration of power.

But by American law, eventually, it invented the Bank Holding Company to go around the antitrust violations. So more and more banks, although they were engaged in money business,—I am using them very pointedly—started getting into commercial activities like a strawberry farm in Guatemala. That is an actual case, Mr. President, I think, involving First National City Bank before.

We try to maintain the same bias of keeping, as much as possible, the money business from the commercial, manufacturing activities under Section 10, so that the nonbanking manufacturing company can own, the tie-up can be beneficial, but it should not control because the habit of thinking required of a banker is a little different from the habit of thinking required of a manufacturing or a nonbank corporation. So, we wanted to make sure that the banking professionals run the business of money and the manufacturers run the business of creating products.

**Senator Cayetano.** I accept that explanation, Mr. President.

**Senator Roco.** Thank you, Mr. President.

**Senator Cayetano.** But let me just point out one possibility. Under Section 71 of page 33, a foreign bank may own up to 100% of the voting stock of a domestic bank.

**Senator Roco.** Yes, Mr. President.

**Senator Cayetano.** Now, may a stockholder of a foreign bank own more than 40%?

**Senator Roco.** If we grant further.

**Senator Cayetano.** Yes, Mr. President.

**Senator Roco.** If it is already 100% and nothing more. There is nothing more to own.

**Senator Cayetano.** Let us say, under Section 71, a foreign bank may own...

**Senator Roco.** Chicago Bank owns 100% of the BPI.

**Senator Cayetano.** All right. Suppose a stockholder of the Chicago Bank now wants to own some shares in a domestic bank up to 40%?

**Senator Roco.** In the BPI.

**Senator Cayetano.** Other than the BPI.

**Senator Roco.** Other than the BPI? In the BPI, there is nothing more because it is already 100%.

**Senator Cayetano.** In other banks. Let us say in any bank, in Metro Bank.

**Senator Roco.** I think under the present rules... I know

of only one significant businessman who has ownerships in two major banks and that may have been settled recently. It may be down to one. That is Gokongwei.

**Senator Cayetano.** But the point here, Mr. President—to follow the point of the sponsor—is that we should not have a foreign individual or nonbank owning more than 40% because of the different attitudes, the different approach of this individual or nonbank corporation. Should we not therefore limit ownership also up to 40% or for that matter even ban a stockholder of a foreign bank who owns 100% voting stock of a domestic bank?

**Senator Roco.** Again, Mr. President, the spirit of the law is not violated because that is another bank. In the example given, the foreign banking corporation, Chicago Bank, controls the BPI. There is no question about that. If the foreign individual sits in the board of Chicago Bank, maybe he gets elected or gets nominated to the BPI. These are all examples.

**Senator Cayetano.** Yes, Mr. President.

**Senator Roco.** Then, as he sits in the board of the BPI, he likes also Metro Bank and tries to acquire some shares—assuming he could—40%.

**Senator Cayetano.** May he do that, Mr. President?

**Senator Roco.** Under the bill, Mr. President, there is no prohibition.

**Senator Cayetano.** He may, Mr. President.

**Senator Roco.** But I would imagine the Monetary Board, under its rules and regulations, will have to process and approve such a purchase.

**Senator Cayetano.** All right. We do not dispute that the Monetary Board will process it. The legal question is: May that individual, who now sits in the PCIB, sits in Metro Bank by acquiring 40%?

**Senator Roco.** Just purely on the face of this bill, yes. Because the gentleman is asking me to restrict my answer to what is stated in the bill, the answer is yes.

**Senator Cayetano.** He may, Mr. President.

**Senator Roco.** Again, having restricted myself to the requirements of the gentleman's question, let me call attention that, in reality, if that is done, the Monetary Board will step in many number of ways when he first acquires the Metro Bank shares, or specially when he sits on a cross-board representation.

**Senator Cayetano.** I thank the sponsor for that answer, Mr. President.

As a matter of policy, does the sponsor think that we ought to allow this particular foreigner who now holds 40% in a foreign bank that owns a domestic bank to acquire another 40% in another domestic bank?

**Senator Roco.** Yes, Mr. President. My policy answer will flow from what I have read and what I have seen. What I have seen is that bankers are not wont to compete with themselves. They like to keep money to themselves. Therefore, it is an unusual person, having already a 100% stake in a bank like the BPI, to thereafter acquire another 40% share, unless he seems to be creating a possible.... I think under the Anti-Trust Law, that will be suspicious. That may be one of the presumptions of cartelization or potential cartelization.

So, again, on the face of the bill, that is not prohibited. But I do submit that in the present practice of the Monetary Board and the Bangko Sentral, that will not happen.

**Senator Cayetano.** I thank the gentleman for that answer, Mr. President. I mentioned that because in a number of domestic banks, we see one stockholder having a substantial share in one domestic bank and then being elected as a director. At the same time, in another domestic bank, he also holds a very substantial share and also sits as a director. So, as a matter of policy, our Monetary Board allows a Filipino citizen to hold a number of stockholdings in a number of banks and to sit in the boards of these different banks.

**Senator Roco.** Let me just state, Mr. President, that, first, under the present law, a Filipino, as an individual, can only own up to 20%. Under certain circumstances, he may be allowed to own 30%. But those circumstances have been rarely seen in the last ten years, I think. I doubt if anybody else.

In fact, that is one of the complaints of the Filipino bankers—that a foreign corporation or a foreigner can own up to 40%, and a Filipino can only own up to 30% under special circumstances. I mean, a law that definitely favors the non-Filipino does not make sense.

Under that regime, Mr. President—which will be modified should this Chamber and the other House accept the banking law reform—the more famous interlocks will be John Gokongwei, who owns 30% of PCIB and owns almost 27%, I think, of Far East Bank. These are public, I mean...I am working on my memory.

**Senator Cayetano.** The Far East Bank. Yes, that is exactly the example that I have in mind, Mr. President.

**Senator Roco.** Aside from Mr. John Gokongwei, who has since then sold his PCIB shares and who may be building up his Robinson Savings Bank—again, these are in the newspapers; these are not inside information. I mean, anybody who keeps abreast of banking news, which I thought is part of my duty, will know that that was announced recently. I do not know of anybody else with a similar interlock of such magnitude.

Having said that, under the liberalization of foreign banks entry, the global banks that are here do not have an individual stockholder who owns more than 10% of a global bank because of our restriction that the global bank must be publicly listed and must be widely dispersed.

In an American setting, it is very difficult to visualize, except for the inherited banks like Morgan. But even Morgan, I think, dispersed the money-honey. At a certain point in history, these have really been dispersed.

So the possibility of a banker trying to have a big controlling investment of up to 40% is, in our view, Mr. President, unlikely. Because banking business is a conservative business. Bankers who look at the stock market, the bonds market, the commodities market will find the yield on banking stocks very small. Because a prudent bank will give us yield.

One will make money by just trading prudently with good information analysis in the U.S. stock market, in the bonds market, or in the arbitrage on foreign currency than he will ever make in a normal, prudent banking corporation. In our view, that is an unlikely situation, Mr. President.

**Senator Cayetano.** I thank the gentleman for that, Mr. President.

May I call the attention of the good sponsor to Section 14, page 6. It says here: "There shall be at least seven (7) members of the board of directors of a bank, two of whom shall be independent directors". And of course the definition of an "independent director."

Am I to understand, Mr. President, that for every seven directors, there should be at least two independent directors, so much so that if we have 14 directors, we should have at least four independent directors?

**Senator Roco.** Yes, Mr. President. That is the other way of putting the question asked by our lady senator from Iloilo. It was not meant to be that way, but the lady senator, in fact, pointed out that there should be a proportional increase if we have a larger board. We have no hostility towards such an idea.

**Senator Cayetano.** I would like to thank the gentleman for his answer. Who shall appoint these independent directors? Should they be appointed by the incumbent board of directors with the approval of the Monetary Board or the Monetary Board itself?

**Senator Roco.** The stockholders will elect the board of directors. What will happen, Mr. President, is, we will have a category for the independent board of directors which will be classified as people who are not officers or employees of the bank or its subsidiaries or affiliates. So, in the nomination, they will just nominate two categories, for the regular board and the independent directors.

In terms of directors' liability, the impact on the directors are different. From what I have read on the experience of outside or independent directors—and I welcome any amplification on this from our colleagues—they have prevented the collapse of the Pen Central. A professor or a lawyer who is not a retainer exercising independent judgment regardless of the business interest of the majority was proven to be useful to the banks. That is all we intend to project in this section.

**Senator Cayetano.** I would like to thank the gentleman for that. In fact, I would like to congratulate the sponsor of this bill for really ensuring that we have, at least, a couple of independent "individuals" whose interest will not be more than that of the consumers and the stockholders rather than their own, if they are majority stockholders.

Mr. President, if these independent directors would be elected at large by the stockholders, does the gentleman think that they will get enough votes to elect themselves as independent directors? That is the reason I raised the question of whether these independent directors could possibly be appointed by the incumbent board with the approval of the Monetary Board to ensure not only their independence but their competence. They may be independent but they may be incompetent simply because they own some shares.

We all know how it is in the Philippines. Most of the shares here are inherited from parents. We are not sure. As I said, they may be independent but not necessarily competent. I think what we need here are not only independent but competent directors.

**Senator Roco.** That is correct, Mr. President. But nothing in being independent makes one incompetent per se. I mean, one can be independent and be competent or incompetent as the case may be.

I will give an example of a professor on corporation law. Moontime was a professor from Harvard who made so much

money out of being an independent director that he quit teaching. I would imagine he was exercising his best judgment.

The independent outside directors generally own only qualifying shares. One needs only one share. In fact, that cannot be an inherited share because the son or daughter of an intellectual professor may not be as intellectual as the professor and may certainly not have the experience of the father or the mother for that matter. So, when we refer to an independent outside director, it is taken in the corporate sense, one who can have independent judgment, independent of the financial requirements of the bank.

Generally, economists, nonretained lawyers, acknowledged professors, sometimes even social analysts or newspaper writers who write business articles, all these are often invited as outside directors. We have not had in Philippine law a similar practice. But if this recommendation is adopted, maybe we shall introduce the concept of outside independent directors more and more not only in banking but perhaps in insurance, in the manufacturing industry and certainly in the stock brokerage or nonallied financial businesses because it is good when there are different opinions on such a sensitive issue as a business judgment that affects fiduciary funds.

**Senator Cayetano.** I thank the gentleman, Mr. President. As I said, I congratulate the sponsor for this—

**Senator Roco.** I thank the gentleman, Mr. President.

**Senator Cayetano.** —because indeed we need something novel as far as the presence of independent directors is concerned.

The point that I am just trying to raise is to ensure precisely that the stockholders really elect what we call “independent directors,” at least two in the board of directors, because it is possible that those who may not wish to comply with this may just put up a friend or a colleague, so to speak, and have him elected as an independent director. So, how are we going to know whether, in fact, that individual is an independent director in the concept that the good sponsor wishes us to adopt?

That is the only point I would like to stress—to ensure that such a director is really independent in every meaning of this word.

#### SUSPENSION OF SESSION

**The President.** The session is suspended for one minute, if there is no objection. *[There was none.]*

*It was 5:11 p.m.*

*At this juncture, the Senate President relinquished the Chair to Sen. Loren Legarda-Leviste.*

#### RESUMPTION OF SESSION

*At 5:12 p.m., the session was resumed with the Honorable Sen. Loren Legarda-Leviste presiding.*

**The Presiding Officer** [Sen. Legarda-Leviste]. The session is resumed.

May we continue with the interpellation.

**Senator Roco.** Madam President, I think I was at the point of responding as completely as possible when we were nicely interrupted by a change of scene.

Madam President, may we first give an example of an outside director that has gained international attention. Former President Aquino was just elected outside director of Sanyo. I am sure she did not have, according to the newspapers, a single share until she was invited.

I suspect that if this practice of an outside independent director becomes accepted in normal corporate life, that the practicing lawyers will advise the outside directors that their culpability is a little higher because precisely they are supposed to view it from the point of view of public good and from the point of view of the owners of the fiduciary fund, one will not take the outside independent director role very lightly. But if there are those who, out of friendship, will do it, *merese lapena*, when the criminal and the tort liabilities come around, they will have nobody to blame but themselves and they will deserve everything that they will ever receive under the court law.

I suspect, Madam President, that when we start electing outside independent directors, the board will take it upon itself to get somebody who will add prestige, who will add an element of integrity, who will add an element of independence, knowledge and competence to it because it is to its self-interest to do so. If it will not be as a matter of patriotic duty, it will be to its self-interest to do so.

I thank the gentleman, Madam President.

**Senator Cayetano.** I thank the gentleman for that, Madam President.

I wish the presiding officer will stay there much longer not only for today but also for the coming days. Not only has the presiding officer improved the sight but, certainly, it means that the political tide has, I think, started to change.

**Senator Roco.** The vision of the presiding officer, not just as a sight, without adjectives or adverbs, will certainly call for a lengthening of the session until whatever time the members here...

**The Presiding Officer** [Sen. Legarda-Leviste]. The Chair must admit that she is at a loss for words and dumbfounded to respond to the gentlemen's very kind words.

**Senator Drilon.** Madam President.

**The Presiding Officer** [Sen. Legarda-Leviste]. The Majority Leader is recognized.

**Senator Drilon.** Madam President, just for the record. The political scenario is not changing because the presiding officer, I understand, is moving towards the majority. *[Laughter]*

**The Presiding Officer** [Sen. Legarda-Leviste]. May the Chair ask the Majority Leader to repeat that because the Chair only heard half of which...

**Senator Drilon.** I withdraw the statement.

**The Presiding Officer** [Sen. Legarda-Leviste]. All right.

**Senator Roco.** It was not meant to be heard by the presiding officer, but if that is the case, may we suggest that a move to reorganize is of the highest parliamentary order. And if this is being suggested by the distinguished...

**Senator Cayetano.** Is the Chairperson planning to do that?

**Senator Roco.** Considering this overwhelming quorum supporting the Chairperson now, and there is no question that we have a quorum....*[Laughter]*

#### SUSPENSION OF SESSION

**Senator Drilon.** Madam President, I move that we suspend the session for one minute.

**The Presiding Officer** [Sen. Legarda-Leviste]. Is there any objection? *[Silence]* There being none, the session is suspended for one minute.

*It was 5:16 p.m.*

#### RESUMPTION OF SESSION

*At 5:17 p.m., the session was resumed.*

**The Presiding Officer** [Sen. Legarda-Leviste]. The session is resumed. Senator Cayetano may proceed.

**Senator Cayetano.** Thank you, Madam President.

This is on page 7, Section 16—Directors of Merged or Consolidated Banks. May I just read, Madam President, so that my point can easily be understood. It states:

In the case of a bank merger or consolidation duly approved--

**Senator Roco.** What section are we looking at? I am sorry, Madam President, I could not but appreciate fully the potentials of the present situation.

**Senator Cayetano.** Am I to understand, Madam President, that somebody is intruding on the good sponsor?

**Senator Roco.** No, Madam President. Please continue.

**Senator Cayetano.** Thank you, Madam President. Levity aside, may I call the attention of the good sponsor to Section 16, page 7—Directors of Merged or Consolidated Banks. It says:

In the case of a bank merger or consolidation duly approved by the Monetary Board, the limitation on the number of directors in a corporation, as provided for in the Corporation Code shall not be applied so that membership in the new board may include up to the total number of directors provided for in the respective articles of incorporation of the merging or consolidating banks.

Am I to understand, Madam President, that if the two merged corporations have 15 directors each, the resulting corporation would have 30 directors. Am I correct in this?

**Senator Roco.** He may understand it as such.

**Senator Cayetano.** Is it?

**Senator Roco.** Only because the gentleman's question was whether he will...

**Senator Cayetano.** Yes, it is correct. So this effectively amends the Corporation Code then, Madam President?

**Senator Roco.** Here, it is an exception only to support the policy of merger and consolidation.

**Senator Cayetano.** But would this situation not—where



we will have twice as many directors of an ordinary bank—really affect the depositors of this particular bank because the depositors will be charged with so much expenses, not only salaries, fringe benefits, bonuses, et cetera? This will really double the expenses of a merged bank or, shall we say, the resulting bank coming out of the merger.

**Senator Roco.** Madam President, this is expected to be a transitory situation. In the past, my good friend from Tagig, Pateros, and Michigan would remember the old mergers with Bank of America—I think we were then even working together as law partners—and there were always instances when they had a larger board or a board of advisers, together with the board of directors, which were eventually phased out for efficiency purposes.

So while there is that danger, as pointed out by our good friend, the danger may eventually be minimized. Furthermore, the Monetary Board can probably prescribe more rules regarding this on the phaseout of too many directors.

**Senator Cayetano.** I would like to thank the sponsor, Madam President. Of course, this section speaks only of directors.

**Senator Roco.** Yes, Madam President.

**Senator Cayetano.** But as we all know, not a single bank in this country has only board of directors, it has also board of advisers. Would this also include board of advisers, Madam President?

**Senator Roco.** No, Madam President. It will refer to board of directors. But there is nothing in the bill, on its face, that prevents board of advisers from being created.

**Senator Cayetano.** With respect to banking days and hours, since we are trying to deregulate the banking industry, should we not leave to the board of directors of each bank the number of working days and the number of working hours of each bank so that there could be tremendous amount of competition? Because, as of now, most of the banks would open and close practically on the same day and the same hour to the detriment of many depositors. We may not call this cartelization of hours and days of opening and closing of the banks but, certainly, some kind of an agreement or policy of the Monetary Board.

I wonder if it is possible to leave the number of days and working hours of each of the banks in the Philippines to the good discretion and judgment of the Monetary Board, Madam President.

**Senator Roco.** May we ask our good friend to look at page

9, Section 20. If the wordings under the proposed Section 20 will satisfy the question, then we can leave it as is. Or if the wordings of Section 20 on banking days and hours can stand improvement, we will certainly look at the proposed amendments at the appropriate time.

**Senator Cayetano.** I would like to thank the distinguished sponsor, Madam President. I would imagine that the good sponsor refers to the proviso.

**Senator Roco.** The banking days and hours?

**Senator Cayetano.** Yes, Madam President. At the proper time, with the consent of the sponsor, I will propose some changes in the words.

**Senator Roco.** Yes, Mr. President.

**Senator Cayetano.** Madam President, let me call attention to page 9, Section 21—"Strikes and Lockouts." I cannot understand why a strike or lockout in a bank, in a single bank is indispensable to the national interest. The complaint of many of the organized labor unions of our employees is that it is so easy to get an assumption order from the Department of Labor and Employment or an order to certify a labor dispute involving strikes or lockouts from the National Labor Relations Commission (NLRC) when it involves just a small bank. Or for that matter, even if it were a big bank, what element would that bank has in order to constitute that the business of that particular bank is "indispensable to the national interest"?

**Senator Roco.** Madam President, this is word for word lifted from the present law, Section 6(e). The Senate committee and none of the persons who appeared before us at the various hearings, both in this session and in that prior sessions, ever recommended that this be modified. I can hazard my own reading of why this was put in the original law.

The Asian financial crisis, Madam President, was triggered, I think, by one bank difficulty in Thailand that infected the whole banking structure and then thereafter affected the rest of Asia.

As I said earlier, Madam President, money has become interrelated. What happens to the yen affects the peso even if we do not want it to. What happens to the rial or to the Thai baht affects the peso without control on our part.

The same thing can be said on a national level. After all, this must still, I guess, comply with the requirements of the Labor Code itself. I guess it is the NLRC. I am not totally familiar with the labor procedures but I would imagine that this must be issued by the NLRC or the Secretary of Labor under stringent conditions

applied by the present labor law. But if one major bank is hit by a strike or a lockout and it is not amply protected, the effect will not only be on the workers or on the labor union but on the institution itself. And a run on a major bank for reasons that are not financial in character can occasion a run on other banks. That is why there is so much concern again to protect the integrity and stability of the financial system.

I would imagine, Madam President, that that was the reason this was originally put there. I guess that is one that I can contribute. We are not proposing to amend that particular section of the present law.

**Senator Cayetano.** Thank you, Madam President.

The reason I ask this—although I realize that this is not part of the amendment but it is a good time as any probably to bring this point—is that, we really note—those of us who were in private practice before and have been involved in the resolutions of strikes and lockouts—that it is so easy to bar a projected strike or to stop an ongoing strike simply by invoking the power of the President to certify that the strike in a bank is indispensable to the national interest.

If I remember right my history on this particular provision, Madam President, it used to be the Industrial Peace Act long before martial law took over. This was exactly the law, more or less. It was very difficult to really get an injunction. Then the President was not authorized to stop any impending or ongoing strike. But to get an injunction from the Court of Industrial Relations was very difficult simply because of the difficulty itself of defining what is indispensable to the national interest. Of course, martial law changed all of these and a new Labor Code promulgated by PD No. 442 precisely curtailed the power and authority of labor unions to strike on the so-called industries of national interests.

But now we are back to what we may call the premartial law regime. Under the present law, it is not really the President who has been tasked to either assume jurisdiction of a labor dispute involving strike or lockout but rather the Secretary of Labor who, as I indicated before, could either do one of two things: to assume jurisdiction and resolve the impending or existing strike, or certify this to the National Labor Relations Commission for compulsory arbitration.

The reason I only ask this, Madam President, is whether this is still what we may call a good policy in view of the fact that we have given a lot of opportunities to our working class to really express themselves in the form of a strike, which is really nothing but an economic offensive weapon they use especially during collective bargaining.

Anyway, I understood pretty well the explanation of the good sponsor, and I take it at that.

**Senator Roco.** Madam President, may we just say that in protecting the labor community, this section, as presently visualized in the present law, allows three agencies—the Bangko Sentral, the President of the Philippines and the appropriate court, agency or commission—to filter and make a judgment. With those three layers of judgment, and the record of strikes and lockouts which is very scanty as regards local banks, I guess we can rely on the present law to continue in its salutary effect in regard to this.

**Senator Cayetano.** Madam President, may I now go to Section 35, page 16—*Restriction on Bank Exposure to Directors, Officers, Stockholders and Their Related Interests.*

**Senator Roco.** Yes, the DOSRI.

**Senator Cayetano.** Madam President, I would imagine this is what they call DOSRI.

**Senator Roco.** That is correct. Although there might be another section on DOSRI.

**Senator Cayetano.** First of all, is a director or officer who violates the provisions of DOSRI penalized under the General Banking Act?

**Senator Roco.** I think so, Madam President. In fact, the penalty is contained here: there can be vacancy; the office can be declared vacant; they can be prosecuted under the Bangko Sentral law and other banking laws; and they can be administratively disciplined by the Bangko Sentral and the Monetary Board. All the supervisory and regulatory powers can be made to bear on them.

**Senator Cayetano.** Madam President, specifically I am interested in finding out the case, for instance, of Orient Bank.

**Senator Roco.** Yes, Madam President.

**Senator Cayetano.** We all know what happened to Orient Bank where hundreds and hundreds of depositors have yet to be paid. From my understanding, no cases have been filed against those involved in DOSRI transactions or fraudulent transactions that brought about the collapse of Orient Bank.

May I know exactly, if this information is true, why no complaint has been brought to court yet as far as those errant directors, stockholders and officers of Orient Bank are concerned?

**Senator Roco.** I cannot answer with an amount of certainty on a question of fact, but let me share what I do know. The DOSRI accounts have been referred to the NBI and the intelligence agencies for investigation. That is a fact that I know.

Most of the depositors with less than P100,000, and even with those more, have been repaid. For those beyond that, we know of instances with P40 million. But why, in heaven's name, should one be putting P40 million in this bank unless there are some other reasons?

I am being passed a note by the staff that, apparently, the NBI has recommended the filing of appropriate charges as far as the DOSRI violations are concerned.

**Senator Cayetano.** I hope our Monetary Board will hasten the prosecution of these individuals because there are many depositors who are really complaining.

With respect to being paid by PDIC, I know it for a fact, Madam President. Because, in all humility, in my radio program, I get about one question every two days about Orient Bank depositors who have yet to be paid by PDIC on the ground that their papers are not yet ready and that the bank has to check whether the depositors have loans with other branches of Orient Bank and so on and so forth.

I think, Madam President—since this is a policy matter and it might completely be alien to what we are discussing—we ought to give a deadline for PDIC to ensure that those who are victims of DOSRI and fraudulent transactions by officers, stockholders, and directors of banks be paid the soonest possible time because most of them have no other way of recouping, let alone ways of making both ends meet as far as “hijacked” funds that are now with the PDIC are concerned.

**Senator Roco.** Yes, Madam President. Our distinguished colleague will remember that one year ago, there was one whole month when the Committee on Banks, Financial Institutions and Currencies was doing nothing but taking care of these depositors of the Orient Bank. That was the first time ever that the Senate had so directly intervened to the extent of calling the depositors, to the extent of calling the Monetary Board, to the extent of calling the PDIC, because at that time, the PDIC president was so bullheaded. He would not think of even considering immediate payment. To our knowledge, by the time the committee yielded the matter to the regulatory agencies, majority of the small depositors were fully paid.

We suggest that if there are still complaints, the depositors themselves can file cases. They will have an actionable interest on the matter so that they themselves can file cases.

We suggest that those who are still complaining—and I do know that there are those who are still complaining—should probably lay out in greater detail.... We can refer them to the PDIC. We have seen the guidelines of the PDIC, and unless there is criminal intent or omission or misfeasance on the part of the PDIC, then we will have to bear with them. But if these depositors feel that there is fraud, fraud can always be prosecuted by these depositors.

So that is what we can say, Madam President. Our committee has never been quite pleased with PDIC. But on the basis of these letters, if there are still any, and our committee has not received any since last year.... We have been bypassed. Those who have deposits beyond P100,000 even had the temerity of offering me a percentage of whatever they can recover, which turned me off immediately. Therefore, I sent them off packing and they have not shown themselves to me.

To my knowledge, Madam President, all efforts have been done, but we welcome any adverse information that can be supported.

Thank you, Madam President.

**Senator Cayetano.** Thank you, Madam President.

Madam President, may I inquire. Is DOSRI per se prohibited? I mean DOSRI in the sense that we understood it to be a self-dealing transaction.

**Senator Roco.** Yes, Madam President.

**Senator Cayetano.** From my understanding, it is not completely prohibited, Madam President.

**Senator Roco.** No, there are restrictions, guidelines and standards under which a director, officer, stockholder.... Just for those who may still be listening to our discussion, DOSRI refers to “Directors, Officers, Stockholders, and their Related Interests.” So it is an acronym.

These people, because they have related interests, are restricted in terms of borrowing. I think 25% was the DOSRI limit. There are certain rules, and we will not fill the record with these, but one rule is equivalent to their deposit. They can borrow not to exceed outstanding deposits and book value of paid-in capital contribution. The nonsecured loans should not exceed 30% of the total credit accommodations of the bank. The single borrower's limit is also imposed, or 25% of the bank's unimpaired capital accounts. Then there is an aggregate ceiling not to exceed 15% of the loan portfolio or 100% of net worth as suggested, whichever is lower. Then for unsecured loans, not to exceed 30%, et cetera.

Those are only the limits for the expanded commercial banks. There are similar limits for the regular commercial banks. There are other limits for the foreign banks. The thrift and rural banks roughly have the same standards but these are all very well-covered with an intricate set of rules.

The important thing to remember is that those who are insiders, as our distinguished friend has put it, should not benefit from other people's money because that is our money. And when these insiders borrow our money, we must make sure that they do not therefore prejudice us, the depositors or the general public.

**Senator Cayetano.** Thank you, Madam President.

I was wondering. As a matter of policy, should we not totally and completely ban DOSRI accounts?

**Senator Roco.** I will welcome reasons from the gentleman on why it should be banned and what is the banking practice in other countries. As we know, bankers themselves are businessmen. Some get into the business of banking because they precisely want to have control over a bank. They cannot borrow all the money but they can borrow to the extent of what they have deposited. So effectively, they are borrowing.

I mean, whoever proposes ban on these DOSRI accounts should come up with some cogent economic reasons. I suspect the bankers will fly the coop and bank in Hong Kong, especially in today's world where I can transfer funds in an instant. I can lift that phone and call London, and transfer funds from Equitable Bank to London. So they will fly the coop, I suspect.

While it looks as though, on a populous basis, DOSRI accounts should be banned, I rather think that businessmen always try to make money for themselves. The most we can do is restrict abuse of information, abuse of confidence and abuse of our money, and that is, I think, what we propose in this bill.

**Senator Cayetano.** I would like to thank the distinguished gentleman for that explanation, Madam President.

The reason, Madam President, I propose a reexamination of this public policy is, our experience shows that it is so difficult to prosecute, let alone catch, these individuals who are within the prohibition of the DOSRI accounts. Therefore, if we will ban these DOSRI accounts completely, we will probably erase the problem of nonimplementation or nonprosecution of some of these individuals.

May I just hasten to add, Madam President, that not all bank directors and officers are engaged in shenanigans or criminal acts. But certainly, those whom we are very familiar with today

and in the past have gotten away with it. In fact, some of them have even different suits and have even opened up their banks....

**Senator Roco.** Like who?

**Senator Cayetano.** After the public and government agencies have forgotten that once upon a time their bank had defaulted and closed down because of DOSRI accounts.

**Senator Roco.** Orient Bank is not yet. Just for the record and for historical clarity, who are we talking about? Continental...

**Senator Cayetano.** Monte de Piedad, for instance...

**Senator Roco.** These banks have reopened because of DOSRI or they reopened because of a foreign bank that purchased them.

**Senator Cayetano.** I believe both, Madam President.

**Senator Roco.** In which case, I suggest that our distinguished friend prosecute them because, as senators, we have a standing in prosecuting these things, if that is true.

**Senator Cayetano.** As I said, I could think of that as a single example. But the policy consideration that I am proposing is something that we may wish to consider, not exactly now, but certainly looking at it in terms of helping out not only the progress and success of our banking industry, but to ensure that our depositors do not get shortchanged because of DOSRI accounts.

We know for a fact, Madam President, that this so-called "scratch my back and I will scratch yours" is exactly happening in the banking industry. I am prohibited, if I were a banker or a director, from borrowing so much from a bank. So what I will do is, I will borrow from one's bank and then he will borrow from my bank. I think that is an ongoing practice. And when we look at it, that is really an indirect way of going around DOSRI. So that is the reason for my statement of trying to reexamine the policy.

**Senator Roco.** We are not averse to listening to reasons and new methods of trying to control DOSRI. But just with reference to that example, precisely because people can borrow from another bank, even if we absolutely prohibit it, what shall we do? A banker, somebody who is a director, officer or a stockholder of a bank cannot borrow in any other bank? How will this be regulated? Because that is the only way. The moment one is a banker, he cannot borrow from any other bank. Otherwise, what the gentleman said, "scratch my back and I will scratch your back" will always happen even if we absolutely prohibit it. Unless we word the prohibition that the moment that one is a director, owner, stockholder or related interest of a bank, he cannot

borrow from any other bank, then we can monitor that law.

But again, Madam President, having said that, we will await the recommendation of the distinguished gentleman.

**Senator Cayetano.** Thank you, Madam President.

Finally, Madam President, may I call attention to Section 36 on page 18. This is the appraised value given to security or guarantee which shall not exceed 60%, if it were real property, and if it is personal property or chattels, not exceeding 50%. Let me go to real estate property as a security or guarantee.

If I recall, the practice before was to give it as high as 70%. Am I not correct, Madam President?

**Senator Roco.** That may be so. The Bangko Sentral's memory is nodding her head.

**Senator Cayetano.** It is, Madam President, up to 70%.

**Senator Roco.** That is correct.

**Senator Cayetano.** I am speaking here for the small guys, for the middle class who wants to own properties and would like to borrow from the banks.

By lowering the assessed value from 70% to 60%, these individuals can never own any home anymore, because we know very well that the interest alone is controlled not only by competition, but by the kind of bank from whom one is going to borrow. But to lower the appraised value from 70% to 60%, that I would like to find out, Madam President. What is the reason for lowering? Is it because of the high rate of unpaid loans to the banking industry, or is there any magical reason for this? This certainly will put a damper on the middle class from trying to own a home, because to have an appraised value only of 60%, one has to put up more cash.

**Senator Roco.** We do not have any strong feelings, but the section says that "except as the Monetary Board may otherwise prescribe."

Again, as we have yielded to the Minority Leader earlier.... In fact, in a discussion with the Minority Leader in a prior session, we did agree that not only shall we liberalize this provision, that we should not only look at the possibility of loans, real estate, although it is covered by microfinance in another section, but the possibility of using intellectual capital or intangible property also as collaterals. But the sense here is to give the discretion to the Monetary Board, so we are at the disposal of the gentleman on what shall please his best

judgment under the circumstances. Should we redefine this, it must be redefined with recognition of other areas of credit accommodation.

**Senator Cayetano.** Thank you, Madam President. At the proper time, with the consent of the sponsor, I would like to offer an amendment to the present practice of giving 70%. I cannot rely on the Monetary Board because most of their decisions are antipoor.

**Senator Roco.** Madam President, we will make sure that the present composition of the Monetary Board gets the note and be duly notified of our distinct attitude towards their antipoor attitude.

**Senator Cayetano.** Thank you, Madam President. I wish the record will be shown to them because I know most of them anyway. I have told them, in their faces, that the policy they are following are antipoor.

Thank you, Madam President. I would like to thank the good sponsor for giving me this opportunity to have a very pleasant and valuable exchange on this particular bill.

**Senator Roco.** Madam President, can I prevail upon the distinguished gentleman to put on record who are these antipoor? Would Governor Rafael Buenaventura be one?

**Senator Cayetano.** Madam President, at the proper time, I will do that.

**Senator Roco.** Maybe at the improper time. But certainly, we cannot leave this. Imagine such a challenge to the Monetary Board and we leave it unnamed.

Madam President, I, personally, as chairman of the Committee on Banks, Financial Institutions and Currencies, would want to know these members of the Monetary Board who are antipoor so that we can ferret them out before they rear their ugly heads. Is it Governor Rafael Buenaventura?

**Senator Cayetano.** Madam President, as I said, at the proper time I will identify them. The antipoor covers the policy in the past and in the present that they are now pursuing.

**Senator Roco.** Is it Secretary Medalla?

**Senator Cayetano.** I do not know, Madam President. As I said, at the proper time. Certainly not the sponsor of this bill.

**Senator Roco.** No, Madam President. I am not with the Monetary Board.

I take these questions to heart because it is essential that the integrity of the Monetary Board, to the extent possible, is held in high esteem. If there is any rat in the Monetary Board, we, as Members of the Senate, should remove and ferret them out. If they are antipoor, then, by the policies of President Estrada, they are Enemy No. 1. Therefore, I find it difficult to let it go because the two names that come to mind is Secretary Medalla and Governor Rafael Buenaventura.

*Sino ba ang mga miyembro ng board? Montecillo—who was a retired person. Alindogan—where did he come from? Ayala—from the banking industry. Valdepeñas—from the academe. Who else? Juan Quintos—from the former Central Bank; Melito Salazar—from the academe, BOI and the AIM; Secretary Pardo.*

Madam President, if any of them are antipoor, I think we should not just cast aspersions. We should say it now or forever hold our peace.

**Senator Cayetano.** Madam President, when I said antipoor, I am talking about the policy. If the sponsor of the bill does not agree with me, well, I am sorry about that. As far as I am concerned, the policy is antipoor.

**Senator Roco.** The original statement pointed to the members of the Monetary Board. And that is why, Madam President, we should not just allow it to pass.

Madam President, I thank my friend for bringing this up. We will look further into the matter.

**Senator Drilon.** Madam President.

**The Presiding Officer [Sen. Legarda-Leviste].** The Majority Leader is recognized.

#### SUSPENSION OF CONSIDERATION OF S. NO. 1519

**Senator Drilon.** There are still a number of our colleagues who wish to raise questions. May I therefore move to suspend consideration of Senate Bill No. 1519 under Committee Report No. 29.

**The Presiding Officer [Sen. Legarda-Leviste].** Is there any objection? *[Silence]* There being none, the motion is approved.

**Senator Roco.** Will a roll call be appropriate at this time, Madam President?

#### SUSPENSION OF SESSION

**Senator Drilon.** Madam President, I move that we suspend the session for one minute.

**The Presiding Officer [Sen. Legarda-Leviste].** Is there any objection? *[Silence]* There being none, the motion is approved.

*It was 5:56 p.m.*

#### RESUMPTION OF SESSION

*At 5:57 p.m., the session was resumed.*

**The Presiding Officer [Sen. Legarda-Leviste].** The session is resumed. Senator Roco is recognized.

**Senator Roco.** I understand the answer of the Majority Leader, Madam President, that it is not appropriate at this time. So I will withdraw my motion for a roll call.

#### MANIFESTATION OF SENATOR DRILON (Senators Honasan, S. Osmeña III, Legarda-Leviste and Revilla as Vice Chairmen of Committee on Environment and Natural Resources)

**Senator Drilon.** Madam President, just some administrative matters. Just for the record, the chairman of the Committee on Environment and Natural Resources wishes to inform the Chamber that the vice chairmen that he has designated for the Committee on Environment and Natural Resources are as follows: Sen. Gregorio B. Honasan; Sen. Sergio Osmeña III; Sen. Loren Legarda-Leviste; and Sen. Ramon B. Revilla. May we please make it of record.

**The Presiding Officer [Sen. Legarda-Leviste].** Is there any objection? *[Silence]* The proposal for the vice chairmen of the Committee on Environment and Natural Resources is hereby approved.

**Senator Drilon.** Madam President, if we will note, the Minority Leader has not questioned the quorum. It can result in some defections from the Minority. It can result in some changes in the political scene.

#### ADJOURNMENT OF SESSION

So in the absence of any motion from the Minority Leader, I now move to adjourn the session.