SENATE
OFFICE OF THE SECRETARY

THIRTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

'04 JUN 30 P10:17

RECEIVED BY:

SENATE

S. No. 829

INTRODUCED BY HON. MANUEL B. VILLAR JR.

EXPLANATORY NOTE

Section 521 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991, provides that Congress shall undertake a mandatory review of the Code at least once every five years and as often as it may deem necessary, with the primary objective of providing a more responsive and accountable local government structure.

The proposed bill seeks to further institutionalize local autonomy by strengthening the fiscal autonomy of local government units (LGUs).

One of the means to accomplish this is by giving LGUs greater leeway in the choice of its depository bank. National government agencies have interpreted differently the preference over government-owned banks as depository banks. The Department of Budget and Management has interpreted the provision to mean that a local government unit shall choose only one depository bank, whether the Land Bank of the Philippines or the Development Bank of the Philippines within its area of jurisdiction.

On the other hand, the Commission on Audit ruled that a rural bank may accept deposits of LGUs notwithstannding the presence of government-owned banks within the locality provided the bank is authorized by the Monetary Board of the Bangko Sentral ng Pilipinas and prior authority is given by the *sanggunian* and the local chief executive concerned.

The review of the code in this respect is a clamor among LGUs.

In view of the foregoing, approval of this bill is earnestly requested.

MANUEL B. VILLAR, JR.

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AN ACT PROVIDING FOR GREATER FISCAL AUTONOMY IN FAVOR OF LOCAL GOVERNMENT UNITS (LGUs) IN THE CHOICE OF DEPOSITORY BANKS, AMENDING SECTION 311 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991

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

SECTION 1. Section 311 of Republic Act No. 7160 is hereby amended to read as follows:

"SEC. 311. *Depository Accounts.* – Local treasurers shall maintain depository accounts in the name of their respective local government units with banks **DULY ACCREDITED AS SUCH BY THE BANGKO SENTRAL NG PILIPINAS** [preferably government-owned] located in or nearest their respective areas of jurisdiction. Earnings of each depository account shall accrue exclusively thereto.

SEC. 2. All laws, executive orders, presidential decrees, rules and regulations or parts thereof which are inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly.

SEC. 3. This Act shall take effect fifteen (15) days after its publication in at least two (2) daily newspapers of general circulation.

Approved,