

THIRTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
FIRST REGULAR SESSION )

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JUN 31 1915  
PRESIDENT BY:                     

**SENATE**

S.B. NO. 862

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Introduced by Senator **JINGGOY EJERCITO ESTRADA**

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**EXPLANATORY NOTE**

Republic Act No. 7160, otherwise known as the Local Government Code, authorizes the Legislature to undertake review of said code, with the primary objective of providing a more responsive and accountable local government structure.

This proposed measure seeks to further institutionalize local autonomy by strengthening the fiscal autonomy of local government units (LGUs), by giving greater leeway in the choice of their depository bank.

National government agencies have interpreted differently the preference over government-owned banks as depository banks. One interpretation is such that a local government unit shall choose only one (1) 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, a rural bank may accept deposits of local government notwithstanding the presence of government-owned banks within the locality concerned, on the condition that such rural banks are duly authorized by the Monetary Board of the Bangko Sentral ng Pilipinas.

The passage of the bill is earnestly sought.

  
**JINGGOY EJERCITO ESTRADA**  
Senator

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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 the 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.

Section 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.

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

**Approved,**