## SIXTEENTH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES Second Regular Session

15 JUN -4 P2:59

	SENATE 1220
	P. S. R. No. <u>1386</u> RECEIVED BY:
	Introduced by Senator Miriam Defensor Santiago
1	RESOLUTION
2	DIRECTING THE PROPER SENATE COMMITTEE
3	TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION,
4	ON THE REPORT THAT UNSOUND TRADING PRACTICES
5	OF THE DEVELOPMENT BANK OF THE PHILIPPINES
6	LED TO ₱700 MILLION IN LOSSES DUE TO WASH SALES
7	WHEREAS, the Constitution, Article 2, Section 28 provides: "Subject to reasonable
8	conditions prescribed by law, the State adopts and implements a policy of full public disclosure
9	of all its transactions involving public interest";
10	WHEREAS, the Philippine Daily Inquirer on 28 May 2015 reported that a series of
11	illegal bond-trading activity at the Development Bank of the Philippines (DBP) last year resulted
12	in the state-owned bank losing more than ₽700 million;
13	WHEREAS, the losses were allegedly incurred in so-called wash sales, wherein
14	securities of one financial institutions are sold to another financial institution and bought back at
15	a pre-agreed price shortly thereafter to make it appear that the securities are new purchases rather
16	than transfers meant merely to hide losses;
17	WHEREAS, financial institutions reportedly engage in such transactions to work around
18	restrictions of the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission that
19	prevent them from shifting their securities holdings freely from one book to the other in an
20	attempt to manipulate the market;
21	WHEREAS, the Commission on Audit (COA) claimed that the DBP entered into 28 such
22	transactions between January 29 and March 3, 2014, involving 20- and 25-year fixed rate
23	treasury notes issued by the Philippine government totaling £14.3 billion;
24	WUEDEAS every single sale during this period was allegedly made to First Metro

WHEREAS, every single sale during this period was allegedly made to First Metro Investment Corp., the investment banking arm of the Metrobank group, with DBP buying the securities back on the same day they were sold;

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WHEREAS, state auditors reportedly found that after the series of trades were completed, the DBP had booked actual losses of ₽717 million;

WHEREAS, the COA further claimed that the DBP had no reason for unloading the
subject government securities because it had a good liquidity position, with an average cash
balance of \$\frac{P}{43.8}\$ billion, during the period probed;

WHEREAS, the government must protect the investing public from illegal activity of financial institutions, especially of those owned by the state;

WHEREAS, the Congress must intensify existing legislation in order to prevent financial institutions from engaging in wash sales;

WHEREFORE, BE IT HEREBY RESOLVED BY THE PHILIPPINE SENATE to direct the proper Senate committee to conduct an inquiry, in aid of legislation, on the report that unsound trading practices of the Development Bank of the Philippines led to \$\mathbb{P}700\$ million in losses due to wash sales.

MIRIAM DEFINSOR SANTIL

Adopted,

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