



Senate
Office of the Secretary

EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

20 SEP 14 P1 :02

RECEIVED

SENATE
P. S. RES. No. 523

Introduced by Senator Francis "Tol" N. Tolentino

RESOLUTION

DIRECTING THE SENATE COMMITTEE ON BANKS, FINANCIAL INSTITUTIONS AND CURRENCIES TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE PROPRIETY AND TIMELINESS OF ACTIVE TRADING AND SELLING OF THE COUNTRY'S GOLD RESOURCES BY THE BANGKO SENTRAL NG PILIPINAS AND ITS CONSEQUENT EFFECTS TO THE PHILIPPINE ECONOMY

WHEREAS, Section 64 of Republic Act No. 7653 or the New Central Bank Act, provides that "(t)he Bangko Sentral shall exercise its powers . . . to preserve the international value of the peso and to maintain its convertibility into other freely convertible currencies primarily for, although not necessarily limited to, current payments for foreign trade and invisibles;"

WHEREAS, Section 65 of the New Central Bank Act provides that "(i)n order to maintain the international stability and convertibility of the Philippine peso, the Bangko Sentral shall maintain international reserves adequate to meet any foreseeable net demands on the Bangko Sentral for foreign currencies;"

WHEREAS, the powers and functions of the Bangko Sentral is conferred with the Monetary Board and as such, Section 65 of the New Central Bank Act further provides, in relation to the discretion of the Monetary Board over the international reserve, that "(i)n judging the adequacy of the international reserves, the Monetary Board shall be guided by the prospective receipts and payments of foreign exchange by the Philippines" and that "(t)he Board shall give special attention to the volume and maturity of the Bangko Sentral's own liabilities in foreign currencies, to the volume and maturity of the foreign exchange assets and liabilities of other banks operating in the Philippines and, insofar as they are known or can be estimated, the volume and maturity of the foreign exchange assets and liabilities of all other persons and entities in the Philippines;"

WHEREAS, Section 66 of the New Central Bank Act provides that gold is one of the commodities composing the international reserve of the Philippines;

WHEREAS, Section 72 of the New Central Bank Act provides that "(i)n order to . . . protect the international reserves of the Bangko Sentral in the imminence of, or during an exchange crisis, or in time of national emergency and to give the Monetary Board and the Government time in which to take constructive measures to forestall, combat, or overcome such a crisis or emergency, the Monetary Board, with the concurrence of at least five (5) of its members and with the approval of the President of the Philippines, . . . may subject all transactions in gold and foreign exchange to license by the Bangko Sentral . . .;"

WHEREAS, according to the Bangko Sentral, the Philippine's reserves totalled \$98.6 billion as of the end of July 2020, with gold accounting for more than twelve percent;¹

WHEREAS, Bangko Sentral Gov. Diokno revealed the Central Bank was considering selling gold to bring down the ratio to 10%, as the optimal composition of

¹ <https://www.philstar.com/business/2020/09/07/2040494/bsp-actively-trade-gold-holdings-prices-soar>

the gross international reserves², and revealed that the Monetary Board of the Bangko Sentral decided to shift to active gold trading instead of being passive because of the change in the price dynamics of gold;³

WHEREAS, selling of the gold reserve is contrary to the purpose of Republic Act No. 7076, otherwise known as the People's Small-scale Mining Act of 1991, which requires that all gold produced by small-scale miners shall be sold to the Central Bank, and Republic Act No. 11256, which grants tax exemptions to the sale of gold to the Bangko Sentral;

WHEREAS, the selling of the gold reserve is also contrary to Section 72 of the New Central Bank Act which gives discretion to the Monetary Board in times of national emergency, such as the COVID-19 pandemic, to take constructive measures to forestall, combat, or overcome such a crisis or emergency;

WHEREAS, we should take notice that prices of commodities are unpredictable and even becomes more volatile during a crisis, such as the COVID-19 pandemic. The international reserve is our back up fund in case of an emergency and as a buffer in case of rapid devaluation of our currency and should not be utilized as a means to earn income;

NOW THEREFORE BE IT RESOLVED, as it is hereby resolved, that the Senate Committee on Government Corporations and Public Enterprises conduct an inquiry, in aid of legislation, on the propriety and timeliness of active trading and selling of the country's gold resources by the Bangko Sentral ng Pilipinas and its consequent effects to the Philippine economy.

Adopted,


FRANCIS "TOL" N. TOLENTINO
Senator

² Senate Committee on Finance Hearing, September 9, 2020.

³ <https://www.philstar.com/business/2020/09/07/2040494/bsp-actively-trade-gold-holdings-prices-soar>