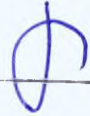


**NINETEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
Second Regular Session )**

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**SENATE**  
**P.S. Reso. No. 697**

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**Introduced by Senator WIN GATCHALIAN**

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**A RESOLUTION**

**DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN INQUIRY IN AID OF LEGISLATION ON THE PROPOSED MERGER OF THE DEVELOPMENT BANK OF THE PHILIPPINES AND THE LANDBANK OF THE PHILIPPINES WITH THE END VIEW OF DETERMINING THE PROPRIETY, VIABILITY, COMPLIANCE, AND POTENTIAL EFFECTS OF SUCH MERGER, AND AMENDING EXISTING LAWS, IF NECESSARY**

1 WHEREAS, it is the policy of the State "to actively exercise its ownership rights  
2 in GOCCs and to promote growth by ensuring that operations are consistent with  
3 national development policies and programs"<sup>1</sup>;

4 WHEREAS, to achieve this purpose, the State shall ensure that "the operations  
5 of GOCCs are rationalized and monitored centrally in order that government assets  
6 and resources are used efficiently and the government exposure to all forms of  
7 liabilities including subsidies is warranted and incurred through prudent means"<sup>2</sup>;

8 WHEREAS, on March 28, 2023, Department of Finance (DOF) Secretary  
9 Benjamin Diokno proposed the merger between Landbank of the Philippines (LBP) and  
10 the Development Bank of the Philippines (DBP) "to create a bigger, stronger and more  
11 resilient bank that can better serve the country's development needs"<sup>3</sup>;

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<sup>1</sup> Sec. 2, Republic Act No. (RA) 10149 otherwise known as the GOCC Governance Act of 2011.

<sup>2</sup> Id.

<sup>3</sup> <https://www.dof.gov.ph/landbank-dbp-merger-to-strengthen-resilience-of-ph-financial-sector/>. Last accessed on May 16, 2023.

1 WHEREAS, the proposed merger will create the largest banking institution in  
2 the Philippines with an estimated asset size of about Php4.18 trillion, a deposit base  
3 amounting to Php3.59 trillion, and a capital of Php288 billion based on figures as of  
4 December 31, 2022<sup>4</sup>;

5 WHEREAS, the proposed merger is expected to eliminate redundancies and  
6 inefficiency in operations, resulting in savings projected at Php5.3 billion yearly. This  
7 projected savings does not include sale of redundant assets as well as additional  
8 savings of Php975 million per year from closure of branches assuming 75% or 100  
9 DBP branches will be considered redundant<sup>5</sup>;

10 WHEREAS, it was reported that the Governance Commission for Government-  
11 Owned and -Controlled Corporations (GCG) submitted a report to the Office of the  
12 President affirming that a merger does not need a law passed in Congress and that  
13 existing laws had given the President the authority to implement such merger.  
14 However, GCG later clarified that there was no decision yet on the merger;<sup>6</sup>

15 WHEREAS, the DBP appealed the results of the legal study conducted by the  
16 GCG arguing that the GCG did not study the propriety of the merger and that the legal  
17 authority of the GCG is at best recommendatory and not binding on any government  
18 agency. It also underscores the need for congressional action over the unification of  
19 the two financial institutions;<sup>7</sup>

20 WHEREAS, notwithstanding the rejection of the proposed merger of these  
21 government banks by previous administrations,<sup>8</sup> DOF Secretary Diokno was cited in  
22 several news reports that the merger will likely be finalized by November;<sup>9</sup>

23 WHEREAS, there is a need for the Senate to weigh in on whether the merger  
24 of these two government banks will better serve the country's development needs in  
25 the agriculture, infrastructure and industrial sectors, particularly among the micro -

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<sup>4</sup> Domingo, Ronnel W. "Landbank-DBP merger done deal by Nov". <https://business.inquirer.net/399511/landbank-dbp-merger-done-deal-by-nov>. Last accessed on May 16, 2023.

<sup>5</sup> Id.

<sup>6</sup> <https://pia.gov.ph/news/2023/05/08/landbank-dbp-merger-still-under-study>. Last accessed on May 16, 2023

<sup>7</sup> Id.

<sup>8</sup> Yu, Lance Spencer. Rappler: "Explainer: What's behind the revived Landbank-DBP merger?". <https://www.rappler.com/business/reasons-behind-revived-landbank-development-bank-philippines-merger/>. Last accessed on May 17, 2023.

<sup>9</sup> Footnote 4 and 5.

1 small and -medium enterprises, and to ensure that the proposed merger will not dilute  
2 the government's focus on developing these target sectors;

3 WHEREAS, the Senate needs to look into concerns on the potential risks the  
4 contemplated merger may bring to the stability of the banking industry and the  
5 economy, as the consolidation of these banks to form the largest bank in the country  
6 could concentrate risks and increase vulnerability to financial market stress and  
7 economic shocks;

8 NOW THEREFORE BE IT RESOLVED, as it is hereby resolved, to direct the  
9 appropriate Senate Committee to conduct an inquiry, in aid of legislation, on the  
10 proposed merger of the Development Bank of the Philippines and the Landbank of the  
11 Philippines with the end view of determining the propriety, viability, compliance, and  
12 potential effects of such merger, and amending existing laws, if necessary.

13 Adopted,



**WIN GATCHALIAN**