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SENATE

P.S.R. No 570

RECEIVED BY:

Introduced by Senator Ana Theresia "Risa" Hontiveros-Baraquel

RESOLUTION

CALLING FOR AN INQUIRY IN AID OF LEGISLATION INTO THE PROPOSED MERGER OF THE DEVELOPMENT BANK OF THE PHILIPPINES WITH THE LAND BANK OF THE PHILIPPINES

WHEREAS, on March 28, 2023, during a press briefing with the Malacañang Press Corps, Finance Secretary Benjamin Diokno announced that the government was contemplating a merger between the Development Bank of the Philippines ("DBP") and the Land Bank of the Philippines ("LBP"), with the latter as the surviving entity;

WHEREAS, this would have the effect of creating the largest banking institution in the Philippines, with a total of more than 4.179 Trillion Pesos in assets;

WHEREAS, the proposed merger raises concerns on the potential risks and benefits it may bring to the economy, the stability of the financial system, and various stakeholders, including the employees of both institutions;

WHEREAS, a 2014 study by the International Monetary Fund ("IMF") stated that large banks were at the center of the 2007-08 Global Financial Crisis, and that their distress caused damage to the real economy;

WHEREAS, large banks were found to have lower capital, less-stable funding, more market-based activities, and more organizationally complex than small banks, suggesting a distinct, possibly more fragile, business model;

WHEREAS, the study also concluded that large banks created more systemic risk when they engaged in market-based activities or were more organizationally complex, that their failures tended to be more disruptive of the financial system, and that traditional bank regulation – which focused on individual bank risk – may be insufficient for large banks;

WHEREAS, the LBP and DBP also carry out separate, distinct, and perhaps incompatible, mandates: while the DBP serves industry by financing infrastructure, logistics, and commerce, the LBP has served as the primary institution mandated by the State to finance the agricultural development of the country;

WHEREAS, there are still unresolved issues arising from the recent LBP and United Coconut Planters' Bank ("UCPB") merger and coconut farmers have expressed that this impending merger will make it even more difficult for the beneficiaries to access support from the fund and will further dilute the mandate of the LBP to assist Coco Levy beneficiaries;

WHEREAS, The Land Bank of the Philippines Employees Association ("LBPEA") and DBP Employees' Union ("DBPEU") raised concerns regarding the proposed merger, stating that the LBP violated the terms of their Collective Negotiations Agreements ("CAN") by failing to consult with the unions beforehand, and that various operational and personnel issues arising from LBP's previous merger with the UCPB, including the non-payment of benefits, remain unresolved;

WHEREAS, in 2016, in an *en banc* resolution signed by both then-Finance Secretary Carlos Dominguez III and then-Budget Secretary Benjamin Diokno, the Governance Commission for GOCCs ("GCG") rejected a similar proposal, stating that the merger would not serve the public interest, given their different functions;

WHEREAS, legal objections were also raised against the validity of such a merger, with Secretary Dominguez asserting that since the two banks were set up through legislation, only a law could legalize their merger; and

WHEREAS, there is a need for the government to proceed cautiously and prudently *vis-à-vis* the contemplated merger, as well as clarify all legal issues involved, for the purpose of ensuring that this does not prejudice the country's economy, the stability of the financial system, and the welfare of affected employees and depositors.

NOW THEREFORE, BE IT RESOLVED AS IT IS HEREBY RESOLVED TO CALL FOR AN INQUIRY IN AID OF LEGISLATION INTO THE PROPOSED MERGER OF THE DEVELOPMENT BANK OF THE PHILIPPINES WITH THE LAND BANK OF THE PHILIPPINES.

Adopted.


RISA HONTIVEROS
Senator