



SENATE

S. No. 1297

PREPARED BY THE COMMITTEES ON BANK, FINANCIAL
INSTITUTIONS AND CURRENCIES; AND WAYS AND MEANS
WITH SENATORS DRILON, RECTO, ESCUDERO, EJERCITO
AND ANGARA AS AUTHORS THEREOF

AN ACT AMENDING REPUBLIC ACT NUMBER 7653,
OTHERWISE KNOWN AS "THE NEW CENTRAL
BANK ACT", AND FOR OTHER PURPOSES

*Be it enacted by the Senate and House of Representatives of
the Philippines in Congress assembled:*

1 SECTION 1. Section 2 of Republic Act No. 7653,
2 otherwise known as "The New Central Bank Act" is hereby
3 amended to read as follows:

4 "SEC. 2. *Creation of the Bangko Sentral.* –

5 There is hereby established an independent
6 central monetary authority, which shall be a
7 body corporate known as the *Bangko Sentral*

1 *ng Pilipinas*, hereafter referred to as the
2 *Bangko Sentral*.

3 "The capital of the *Bangko Sentral* shall
4 be TWO HUNDRED [Fifty] billion pesos
5 (P[50,]200,000,000,000), to be fully subscribed
6 by the Government of the Republic, hereafter
7 referred to as the Government. [Ten billion
8 pesos (P10,000,000,000) of which] THE
9 UNPAID SUBSCRIPTION shall be fully paid
10 for [by the Government] THROUGH THE
11 RETENTION OF DECLARED DIVIDENDS
12 AND TAXES DUE TO THE NATIONAL
13 GOVERNMENT UNTIL THE INCREASE IN
14 CAPITALIZATION SHALL HAVE BEEN
15 FULLY PAID. THEREAFTER THE
16 ADEQUACY OF THE CAPITALIZATION
17 SHALL BE SUBJECT TO REVIEW EVERY
18 FIVE (5) YEARS AND ADJUSTED UPON
19 JOINT RECOMMENDATION BY THE
20 SECRETARY OF FINANCE, THE

1 SECRETARY OF BUDGET AND
2 MANAGEMENT AND THE MONETARY
3 BOARD. [upon the effectivity of this Act and
4 the balance to be paid for within a period of two
5 (2) years from the effectivity of this Act in such
6 manner and form as the Government, through
7 the Secretary of Finance and the Secretary of
8 Budget and Management, may thereafter
9 determine.]”

10 SEC. 2. Section 3 of the same Act is hereby amended
11 to read as follows:

12 “SEC. 3. *Responsibility and Primary*
13 *Objective.* – The *Bangko Sentral* shall provide
14 policy directions in the areas of money,
15 banking, and credit. It shall have supervision
16 over the operations of banks and exercise such
17 regulatory AND EXAMINATION powers as
18 provided in this Act and other pertinent laws
19 over the QUASI-BANKING operations of
20 [finance companies and] non-bank financial

1 institutions. [performing quasi-banking
2 functions, hereafter referred to as quasi-banks,
3 and institutions performing similar functions]
4 AS MAY BE DETERMINED BY THE
5 MONETARY BOARD, IT SHALL LIKEWISE
6 EXERCISE REGULATORY AND
7 EXAMINATION POWERS OVER MONEY
8 SERVICE BUSINESSES, CREDIT
9 GRANTING BUSINESSES, AND PAYMENT
10 SYSTEM OPERATORS. THE MONETARY
11 BOARD IS HEREBY EMPOWERED TO
12 AUTHORIZE ENTITIES OR PERSONS TO
13 ENGAGE IN MONEY SERVICE
14 BUSINESSES.

15 "The primary objective of the *Bangko*
16 *Sentral* is to maintain price stability conducive
17 to a balanced and sustainable growth of the
18 economy AND EMPLOYMENT. It shall also
19 promote and maintain monetary stability and
20 the convertibility of the peso.

1 "THE *BANGKO SENTRAL* SHALL
2 PROMOTE FINANCIAL STABILITY AND
3 CLOSELY WORK WITH THE NATIONAL
4 GOVERNMENT, INCLUDING, BUT NOT
5 LIMITED TO, THE DEPARTMENT OF
6 FINANCE, SECURITIES AND EXCHANGE
7 COMMISSION, THE INSURANCE
8 COMMISSION, AND THE PHILIPPINE
9 DEPOSIT INSURANCE CORPORATION.

10 "THE *BANGKO SENTRAL* SHALL
11 OVERSEE THE PAYMENT AND
12 SETTLEMENT SYSTEMS IN THE
13 PHILIPPINES, INCLUDING CRITICAL
14 FINANCIAL MARKET INFRASTRUCTURES,
15 IN ORDER TO PROMOTE SOUND AND
16 PRUDENT PRACTICES CONSISTENT WITH
17 THE MAINTENANCE OF FINANCIAL
18 STABILITY.

19 "IN THE ATTAINMENT OF ITS
20 OBJECTIVES, THE *BANGKO SENTRAL*

1 SHALL PROMOTE BROAD AND
2 CONVENIENT ACCESS TO HIGH QUALITY
3 FINANCIAL SERVICES AND CONSIDER
4 THE INTEREST OF THE GENERAL
5 PUBLIC."

6 SEC. 3. SEC. 11 of the same Act is hereby amended to
7 read as follows:

8 "SEC. 11. *Meetings.* – The Monetary Board
9 shall meet at least once a week. The Board may
10 be called to a meeting by the Governor of the
11 *Bangko Sentral* or by two (2) other members of
12 the Board.

13 "The presence of four (4) members shall
14 constitute a quorum: *Provided*, That in all
15 cases the Governor or his duly designated
16 alternate shall be among the four (4).

17 "Unless otherwise provided in this Act, all
18 decisions of the Monetary Board shall require
19 the concurrence of at least four (4) members.

1 “The *Bangko Sentral* shall maintain and
2 preserve a complete record of the proceedings
3 and deliberations of the Monetary Board,
4 including the tapes and transcripts of the
5 stenographic notes, either in their original form
6 or in microfilm.

7 “THE MEETINGS OF THE MONETARY
8 BOARD MAY BE CONDUCTED THROUGH
9 MODERN TECHNOLOGIES SUCH AS, BUT
10 NOT LIMITED TO, TELECONFERENCING
11 AND VIDEOCONFERENCING.”

12 SEC. 4. Section 15(e) of the same Act is hereby
13 amended to read as follows:

14 “SEC. 15. *Exercise of Authority.* – In the
15 exercise of its authority, the Monetary Board
16 shall:

17 “x x x

18 “(e) indemnify its members and other
19 officials of the *Bangko Sentral*, including
20 personnel of the departments performing

1 supervision and examination functions against
2 all costs and expenses reasonably incurred by
3 such persons in connection with any civil or
4 criminal action, suit or proceedings to which he
5 may be, or is, made a party by reason of the
6 performance of his functions or duties, unless
7 he is finally adjudged in such action or
8 proceeding to be liable for [negligence or
9 misconduct] WILLFUL VIOLATION OF THIS
10 ACT, PERFORMED IN EVIDENT BAD
11 FAITH OR WITH GROSS NEGLIGENCE.

12 "In the event of a settlement or
13 compromise, indemnification shall be provided
14 only in connection with such matters covered
15 by the settlement as to which the *Bangko*
16 *Sentral* is advised by external counsel that the
17 person to be indemnified did not commit [any
18 negligence or misconduct] WILLFUL
19 VIOLATION OF THIS ACT, PERFORMED IN

1 EVIDENT BAD FAITH OR WITH GROSS
2 NEGLIGENCE.

3 "The costs and expenses incurred in
4 defending the aforementioned action, suit or
5 proceeding may be paid by the *Bangko Sentral*
6 in advance of the final disposition of such
7 action, suit or proceeding upon receipt of an
8 undertaking by or on behalf of the member,
9 officer, or employee to repay the amount
10 advanced should it ultimately be determined
11 by the Monetary Board that he is not entitled
12 to be indemnified as provided in this
13 subsection."

14 SEC. 5. Section 16 of the same Act is hereby amended
15 to read as follows:

16 "SEC. 16. *Responsibility.* - THE
17 GENERAL RULE AND THE EXCEPTION
18 THEREFROM ON THE LIABILITY OF
19 PUBLIC OFFICERS AS PROVIDED IN
20 SECTIONS 38 AND 39 OF CHAPTER 9,

1 BOOK 1 OF THE REVISED
2 ADMINISTRATIVE CODE OF 1987 SHALL
3 APPLY TO THE members of the Monetary
4 Board [, officials, examiners, and employees]
5 AND OTHER PERSONNEL of the *Bangko*
6 *Sentral* [who willfully violate this Act or who
7 are guilty of negligence, abuses or acts of
8 malfeasance or misfeasance or fail to exercise
9 extraordinary diligence in the performance of
10 his duties shall be held liable for any loss or
11 injury suffered by the *Bangko Sentral* or other
12 banking institutions as a result of such
13 violation, negligence, abuse, malfeasance,
14 misfeasance or failure to exercise extraordinary
15 diligence].

16 "Similar responsibility shall apply to
17 members OF THE MONETARY BOARD,
18 [officers, and employees] AND OTHER
19 PERSONNEL of the *Bangko Sentral* for: (1) the
20 disclosure of any information of a confidential

1 nature, or any information on the discussions
2 or resolutions of the Monetary Board, or about
3 the confidential operations of the *Bangko*
4 *Sentral*, unless the disclosure is in connection
5 with the performance of official functions with
6 the *Bangko Sentral*, or is with prior
7 authorization of the Monetary Board or the
8 Governor; or (2) the use of such information for
9 personal gain or to the detriment of the
10 Government, the *Bangko Sentral* or third
11 parties: *Provided, however*, That any data or
12 information required to be submitted to the
13 President and/or the Congress, or to be
14 published under the provisions of this Act shall
15 not be considered confidential.

16 "UNLESS THE ACTIONS OR
17 OMISSIONS OF THE *BANGKO SENTRAL*,
18 MEMBERS OF THE MONETARY BOARD
19 AND ITS OTHER PERSONNEL ARE
20 FINALLY ADJUDGED TO BE IN WILLFUL

1 VIOLATION OF THIS ACT, PERFORMED IN
2 EVIDENT BAD FAITH OR WITH GROSS
3 NEGLIGENCE, THEY ARE HELD FREE AND
4 HARMLESS TO THE FULLEST EXTENT
5 PERMITTED BY LAW FROM ANY
6 LIABILITY, AND THEY SHALL BE
7 INDEMNIFIED FOR ANY AND ALL
8 LIABILITIES, LOSSES, CLAIMS, DEMANDS,
9 DAMAGES, DEFICIENCIES, COSTS AND
10 EXPENSES OF WHATSOEVER KIND AND
11 NATURE THAT MAY ARISE IN
12 CONNECTION WITH THE EXERCISE OF
13 THEIR POWERS AND PERFORMANCE OF
14 THEIR DUTIES AND FUNCTIONS."

15 SEC. 6. Section 21 of the same Act is hereby amended
16 to read as follows:

17 "SEC. 21. *Deputy Governors.* - The
18 Governor of the *Bangko Sentral*, with the
19 approval of the Monetary Board, shall appoint
20 not more than [three (3)] FIVE (5) Deputy

1 Governors who shall perform duties as may be
2 assigned to them by the Governor and the
3 Board.

4 "In the absence of the Governor, a Deputy
5 Governor designated by the Governor shall act
6 as chief executive of the *Bangko Sentral* and
7 shall exercise the powers and perform the
8 duties of the Governor. Whenever the
9 [Government] GOVERNOR is unable to attend
10 meetings of government boards or councils in
11 which he is an *ex officio* member pursuant to
12 provisions of special laws, a Deputy Governor
13 as may be designated by the Governor shall be
14 vested with authority to participate and
15 exercise the right to vote in such meetings."

16 SEC. 7. Section 23 of the same Act is hereby amended
17 to read as follows:

18 "SEC. 23. *Authority to Obtain Data and*
19 *Information.* – The *Bangko Sentral* shall have
20 the authority to REQUIRE [request] from ANY

1 PERSON OR ENTITY, INCLUDING
2 government offices and instrumentalities, or
3 government-owned or -controlled corporations,
4 any data [which it may], FOR STATISTICAL
5 AND POLICY DEVELOPMENT PURPOSES
6 [require for] IN RELATION TO the proper
7 discharge of its functions and responsibilities[:
8 *PROVIDED*, THAT DISAGGREGATED DATA
9 GATHERED ARE SUBJECT TO PREVAILING
10 CONFIDENTIALITY LAWS. The *Bangko*
11 *Sentral* through the Governor or in his absence,
12 a duly authorized representative shall have the
13 power to issue a *subpoena* for the production of
14 the books and records for the aforesaid
15 purpose. Those who refuse the subpoena
16 without justifiable cause, or who refuse to
17 supply the [bank] *BANGKO SENTRAL* with
18 data [requested or] required, shall be subject to
19 punishment for contempt in accordance with
20 the provisions of the Rules of Court.

1 "THE AUTHORITY OF THE *BANGKO*
2 *SENTRAL* TO REQUIRE DATA FROM
3 BANKS SHALL CONTINUE TO BE
4 EXERCISED PURSUANT TO ITS
5 SUPERVISORY POWER SET FORTH IN
6 THIS ACT AND OTHER APPLICABLE LAWS.

7 "Data on individualS AND firms, other
8 than banks, gathered by the [Department of
9 Economic Research and other departments or
10 units of the] *Bangko Sentral* shall not be made
11 available to any person or entity outside of the
12 *Bangko Sentral* whether public or private
13 except under order of the court or under such
14 conditions as may be prescribed by the
15 Monetary Board: *Provided, however,* That the
16 collective data on firms may be released to
17 interested persons or entities: *Provided, finally,*
18 That in the case of data on banks, the
19 provisions of Section 27 of this Act shall apply."

SEC. 8. Section 25 of the same Act is hereby amended

to read as follows:

"SEC. 25. *Supervision and Examination.* –

The *Bangko Sentral* shall have supervision over, and conduct [periodic] REGULAR or special examinations of banking institutions and quasi-banks, including their subsidiaries and affiliates engaged in allied activities.

"For purposes of this section, a subsidiary means a corporation more than fifty percent (50%) of the voting stock of which is DIRECTLY OR INDIRECTLY owned, CONTROLLED OR HELD WITH POWER TO VOTE by a bank or quasi-bank and an affiliate means a corporation the voting stock of which, to the extent of fifty percent (50%) or less, is owned by a bank or quasi-bank or which is related or linked DIRECTLY OR INDIRECTLY to such institution or intermediary through

1 common stockholders or such other factors as
2 may be determined by the Monetary Board.

3 "THE *BANGKO SENTRAL* SHALL
4 HAVE REGULATORY AUTHORITY OVER,
5 AND CONDUCT REGULAR OR SPECIAL
6 EXAMINATIONS OF, ENTITIES WHICH
7 UNDER THIS ACT OR BY SPECIAL LAWS
8 ARE SUBJECT TO ITS JURISDICTION.

9 "THE *BANGKO SENTRAL* SHALL
10 ESTABLISH A MECHANISM FOR ISSUES
11 ARISING FROM BANK EXAMINATIONS. IT
12 SHALL BE INDEPENDENT AND REPORTS
13 DIRECTLY TO THE MONETARY BOARD
14 WITHOUT PREJUDICE TO THE AUTHORITY
15 OF THE *BANGKO SENTRAL* AND ITS
16 MONETARY BOARD TO TAKE ENFORCEMENT
17 AND SUPERVISORY ACTIONS AGAINST
18 SUPERVISED ENTITIES.

19 "The department heads and the
20 examiners of the supervising and/or examining

1 departments are hereby authorized to
2 administer oaths to any director, officer, or
3 employee of any institution under their
4 respective supervision or subject to their
5 examination, and to compel the presentation
6 of all books, documents, papers or records
7 necessary in their judgment to ascertain the
8 facts relative to the true condition of any
9 institution as well as the books and records of
10 persons and entities relative to or in connection
11 with the operations, activities or transactions
12 of the institution under examination, subject to
13 the provision of existing laws protecting or
14 safeguarding the secrecy or confidentiality of
15 bank deposits as well as investments of private
16 persons, natural or juridical, in debt
17 instruments issued by the Government.

18 "No restraining order or injunction shall
19 be issued by the court enjoining the *Bangko*
20 *Sentral* from examining any institution subject

1 to supervision or examination by the *Bangko*
2 *Sentral*, unless there is convincing proof that
3 the action of the *Bangko Sentral* is plainly
4 arbitrary and made in bad faith and the
5 petitioner or plaintiff files with the clerk or
6 judge of the court in which the action is
7 pending a bond executed in favor of the *Bangko*
8 *Sentral*, in an amount to be fixed by the court.
9 The provisions of Rule 58 of the New Rules of
10 Court insofar as they are applicable and not
11 inconsistent with the provisions of this section
12 shall govern the issuance and dissolution of the
13 restraining order or injunction contemplated in
14 this section."

15 SEC. 9. A new section entitled Section 25-A is hereby
16 included in the same Act to read as follows:

17 "SEC. 25-A. *AUTHORITY TO APPROVE*
18 *TRANSFER OF SHARES*. – TRANSFERS OR
19 ACQUISITIONS, OR A SERIES THEREOF,
20 OF AT LEAST TEN PERCENT (10%) OF THE

1 VOTING SHARES IN BANKS OR QUASI-
2 BANKS SHALL REQUIRE THE PRIOR
3 APPROVAL OF THE *BANGKO SENTRAL*.
4 THE SELLING OR CONVEYING
5 STOCKHOLDER SHALL SUBMIT SUCH
6 TRANSFER OR ACQUISITION FOR
7 APPROVAL BY THE *BANGKO SENTRAL*
8 WITHIN SUCH PERIOD AS MAY BE
9 PRESCRIBED BY THE MONETARY BOARD.
10 IN APPROVING SUCH TRANSFERS OR
11 ACQUISITIONS, REGARD SHALL BE GIVEN
12 BY THE *BANGKO SENTRAL* TO THE FITNESS
13 OF THE INCOMING STOCKHOLDERS AS
14 MAY BE INDICATED IN THEIR INTEGRITY,
15 REPUTATION AND FINANCIAL CAPACITY.
16 WITHOUT *BANGKO SENTRAL* APPROVAL,
17 NO SUCH TRANSFER OR ACQUISITION
18 SHALL HAVE LEGAL EFFECT NOR SHALL
19 THE SAME BE RECOGNIZED IN THE
20 BOOKS OF THE INSTITUTION OR BY ANY

1 GOVERNMENT AGENCY, AND THE
2 TRANSFEROR-STOCKHOLDERS SHALL
3 REMAIN ACCOUNTABLE AND RESPONSIBLE
4 THEREFOR. TRANSFER OF ACTUAL
5 CONTROL OR MANAGEMENT OF THE
6 INSTITUTION TO THE NEW STOCKHOLDERS
7 OR THEIR REPRESENTATIVES PRIOR TO
8 *BANGKO SENTRAL* APPROVAL SHALL
9 MAKE THE TRANSFEROR, THE
10 TRANSFEREE AND ANY PERSON
11 RESPONSIBLE THEREFOR LIABLE UNDER
12 SECTIONS 36 AND 37 OF THIS ACT.
13 NOTWITHSTANDING ANY PROVISION OF
14 LAW TO THE CONTRARY, THE *BANGKO*
15 *SENTRAL* MAY SHARE WITH THE
16 PHILIPPINE DEPOSIT INSURANCE
17 CORPORATION ANY INFORMATION THAT
18 THE *BANGKO SENTRAL* MAY OBTAIN
19 PERTAINING TO TRANSFER OR
20 ACQUISITION OF SHARES OR SERIES OF

1 TRANSFERS OR ACQUISITION OF SHARES
2 IN BANKS AND QUASI-BANKS."

3 SEC. 10. Section 27 (d) of the same Act is hereby
4 amended to read as follows:

5 "SEC. 27. *Prohibitions.* – In addition to the
6 prohibitions found in Republic Act Nos. 3019
7 and 6713, personnel of the *Bangko Sentral* are
8 hereby prohibited from:

9 "x x x

10 "(d) borrowing from any institution
11 subject to supervision or examination by the
12 *Bangko Sentral* [shall be prohibited] unless
13 said borrowing[s are] IS TRANSACTED ON
14 AN ARM'S LENGTH BASIS [adequately
15 secured], fully disclosed to the Monetary Board,
16 and shall be subject to such rules and
17 regulations as the Monetary Board may
18 prescribe[: Provided, however, That personnel
19 of the supervising and examining departments

1 are prohibited from borrowing from a bank
2 under their supervision and examination]. x x x"

3 SEC. 11. Section 28 of the same Act is hereby
4 amended to read as follows:

5 "SEC. 28. *Examination and Fees.* – The
6 supervising and examining department head,
7 personally or by deputy, shall examine the
8 [books] OPERATIONS of every bank[ing]
9 AND QUASI-BANK, INCLUDING THEIR
10 SUBSIDIARIES AND AFFILIATES ENGAGED
11 IN ALLIED ACTIVITIES, AND OTHER
12 ENTITIES WHICH UNDER THIS ACT OR
13 SPECIAL LAWS ARE SUBJECT TO *BANGKO*
14 *SENTRAL* SUPERVISION, IN ACCORDANCE
15 WITH THE GUIDELINES SET BY THE
16 MONETARY BOARD TAKING INTO
17 CONSIDERATION SOUND AND PRUDENT
18 PRACTICES. [once in every twelve (12)
19 months, and at such other times as the
20 Monetary Board by an affirmative vote of five

1 (5) members, may deem expedient and to make
2 a report on the same to the Monetary Board:]
3 *Provided*, That there shall be an interval of at
4 least twelve (12) months between [annual]
5 REGULAR examinations: *PROVIDED, FURTHER*,
6 THAT THE MONETARY BOARD, BY AN
7 AFFIRMATIVE VOTE OF AT LEAST FIVE (5)
8 MEMBERS, MAY AUTHORIZE A SPECIAL
9 EXAMINATION IF THE CIRCUMSTANCES
10 WARRANT.

11 "The INSTITUTION [bank] concerned
12 shall afford to the head of the appropriate
13 supervising and examining departments and to
14 his authorized deputies full opportunity to
15 examine its books AND RECORDS, cash and
16 [available] assets and general condition AND
17 REVIEW ITS SYSTEMS AND PROCEDURES
18 at any time during BUSINESS [banking] hours
19 when requested to do so by the *Bangko Sentral*:
20 *Provided, however*, That none of the reports

1 and other papers relative to such examinations
2 shall be open to inspection by the public except
3 insofar as such publicity is incidental to the
4 proceedings hereinafter authorized or is
5 necessary for the prosecution of violations in
6 connection with the business of such
7 institutions.

8 "[Banking and quasi-banking institutions
9 which are subject to examination by the
10 *Bangko Sentral*] SUPERVISED INSTITUTIONS
11 shall pay to the *Bangko Sentral*, NO LATER
12 THAN MAY 31 OF EACH YEAR [within the
13 first thirty (30) days of each year], an annual
14 SUPERVISION fee [in an amount equal to a
15 percentage,] as may be prescribed by the
16 Monetary Board. [, of its average total assets
17 during the preceding year as shown on its end-
18 of-month balance sheets, after deducting cash
19 on hand and amounts due from banks,
20 including the *Bangko Sentral* and banks

1 abroad.] IN DETERMINING THE AMOUNT
2 OF THE ANNUAL SUPERVISION FEE, THE
3 MONETARY BOARD SHALL CONSIDER
4 THE COSTS OF SUPERVISION."

5 SEC. 12. A new section entitled Section 28-A is hereby
6 included in the same Act to read as follows:

7 "SEC. 28-A. *BANGKO SENTRAL*
8 *COORDINATION.* – THE SUSPENSION OR
9 REVOCATION OF ANY GOVERNMENT
10 LICENSE NECESSARY FOR THE
11 OPERATION OF A *BANGKO SENTRAL*-
12 SUPERVISED ENTITY MUST BE DONE
13 ONLY WITH PRIOR CONSULTATION WITH
14 THE *BANGKO SENTRAL*."

15 SEC. 13. Section 30 of the same Act is hereby
16 amended to read as follows:

17 "SEC. 30. *Proceedings in Receivership and*
18 *Liquidation.* – Whenever, upon report of the
19 head of the supervising or examining

1 department, the Monetary Board finds that a
2 bank or quasi-bank:

3 “(a) HAS NOTIFIED THE *BANGKO*
4 *SENTRAL* OR PUBLICLY ANNOUNCED A
5 UNILATERAL CLOSURE, OR HAS BEEN
6 DORMANT FOR AT LEAST SIXTY (60) DAYS
7 OR IN ANY MANNER HAS SUSPENDED
8 THE PAYMENT OF ITS DEPOSIT/DEPOSIT
9 SUBSTITUTE LIABILITIES, OR is unable to
10 pay its liabilities as they become due in the
11 ordinary course of business: *Provided*, That
12 this shall not include inability to pay caused by
13 extraordinary demands induced by financial
14 panic in the banking community;

15 “(b) has insufficient realizable assets, as
16 determined by the *Bangko Sentral*, to meet its
17 liabilities; or

18 “(c) cannot continue in business without
19 involving probable losses to its depositors or
20 creditors; or

1 “(d) has willfully violated a cease and
2 desist order under Section 37 that has become
3 final, involving acts or transactions which
4 amount to fraud or a dissipation of the assets of
5 the institution; in which cases, the Monetary
6 Board may summarily and without need for
7 prior hearing forbid the institution from doing
8 business in the Philippines and designate the
9 Philippine Deposit Insurance Corporation
10 (PDIC) as receiver IN THE CASE OF BANKS
11 [of the banking institution] AND DIRECT THE
12 PDIC TO PROCEED WITH THE
13 LIQUIDATION OF THE CLOSED BANK
14 PURSUANT TO THIS SECTION AND THE
15 RELEVANT PROVISIONS OF REPUBLIC
16 ACT NO. 3591, AS AMENDED. THE
17 MONETARY BOARD SHALL NOTIFY IN
18 WRITING, THROUGH THE RECEIVER, THE
19 BOARD OF DIRECTORS OF THE CLOSED
20 BANK OF ITS DECISION.

1 “[For a quasi-bank, any person of
2 recognized competence in banking or finance
3 may be designated as receiver.]

4 “[The receiver shall immediately gather
5 and take charge of all the assets and liabilities
6 of the institution, administer the same for the
7 benefit of its creditors, and exercise the general
8 powers of a receiver under the Revised Rules of
9 Court but shall not, with the exception of
10 administrative expenditures, pay or commit
11 any act that will involve the transfer or
12 disposition of any asset of the institution:
13 *Provided*, That the receiver may deposit or
14 place the funds of the institution in
15 nonspeculative investments. The receiver shall
16 determine as soon as possible, but not later
17 than ninety (90) days from takeover, whether
18 the institution may be rehabilitated or
19 otherwise placed in such a condition so that it
20 may be permitted to resume business with

1 safety to its depositors and creditors and the
2 general public: *Provided*, That any
3 determination for the resumption of business of
4 the institution shall be subject to prior
5 approval of the Monetary Board.]

6 "[If the receiver determines that the
7 institution cannot be rehabilitated or permitted
8 to resume business in accordance with the next
9 preceding paragraph, the Monetary Board shall
10 notify in writing the board of directors of its
11 findings and direct the receiver to proceed with
12 the liquidation of the institution. The receiver
13 shall:]

14 "[1. file *ex parte* with the proper regional
15 trial court, and without requirement of prior
16 notice or any other action, a petition for
17 assistance in the liquidation of the institution
18 pursuant to a liquidation plan adopted by the
19 Philippine Deposit Insurance Corporation for
20 general application to all closed banks. In case

1 of quasi-banks, the liquidation plan shall be
2 adopted by the Monetary Board. Upon
3 acquiring jurisdiction, the court shall, upon
4 motion by the receiver after due notice,
5 adjudicate disputed claims against the
6 institution, assist the enforcement of individual
7 liabilities of the stockholders, directors and
8 officers, and decide on other issues as may be
9 material to implement the liquidation plan
10 adopted. The receiver shall pay the cost of the
11 proceedings from the assets of the institution.]

12 [2. convert the assets of the institutions
13 to money, dispose of the same to creditors and
14 other parties, for the purpose of paying the
15 debts of such institution in accordance with the
16 rules on concurrence and preference of credit
17 under the Civil Code of the Philippines and he
18 may, in the name of the institution, and with
19 the assistance of counsel as he may retain,
20 institute such actions as may be necessary to

1 collect and recover accounts and assets of, or
2 defend any action against, the institution. The
3 assets of an institution under receivership or
4 liquidation shall be deemed in *custodia legis* in
5 the hands of the receiver and shall, from the
6 moment the institution was placed under such
7 receivership or liquidation, be exempt from any
8 order of garnishment, levy, attachment, or
9 execution.]

10 "The actions of the Monetary Board taken
11 under this section or under Section 29 of this
12 Act shall be final and executory, and may not
13 be restrained or set aside by the court except
14 on petition for *certiorari* on the ground that the
15 action taken was in excess of jurisdiction or
16 with such grave abuse of discretion as to
17 amount to lack or excess of jurisdiction. The
18 petition for *certiorari* may only be filed by the
19 stockholders of record representing the
20 majority of the capital stock within ten (10)

1 days from receipt by the board of directors of
2 the institution of the order directing
3 receivership, liquidation or conservatorship.
4 The designation of a conservator under Section
5 29 of this Act or the appointment of a receiver
6 under this section shall be vested exclusively
7 with the Monetary Board. Furthermore, the
8 designation of a conservator is not a
9 precondition to the designation of a receiver.

10 "THE AUTHORITY OF THE
11 MONETARY BOARD TO SUMMARILY AND
12 WITHOUT NEED FOR PRIOR HEARING
13 FORBID THE BANK OR QUASI-BANK FROM
14 DOING BUSINESS IN THE PHILIPPINES AS
15 PROVIDED ABOVE MAY ALSO BE
16 EXERCISED OVER NON-STOCK SAVINGS
17 AND LOAN ASSOCIATIONS, BASED ON
18 THE SAME APPLICABLE GROUNDS. FOR
19 QUASI-BANKS AND NON-STOCK SAVINGS
20 AND LOAN ASSOCIATIONS, ANY PERSON

1 OF RECOGNIZED COMPETENCE IN
2 BANKING, CREDIT OR FINANCE MAY BE
3 DESIGNATED BY THE *BANGKO SENTRAL*
4 AS A RECEIVER."

5 SEC. 14. Section 31 of the same Act is hereby deleted.

6 "[SEC. 31. *Distribution of Assets.* – In case
7 of liquidation of a bank or quasi-bank, after
8 payment of the cost of proceedings, including
9 reasonable expenses and fees of the receiver to
10 be allowed by the court, the receiver shall pay
11 the debts of such institution, under order of the
12 court, in accordance with the rules on
13 concurrence and preference of credit as
14 provided in the Civil Code.]"

15 SEC. 15. Section 32 of the same Act is hereby deleted.

16 "[SEC. 32. *Disposition of Revenues and*
17 *Earnings.* – All revenues and earnings realized
18 by the receiver in winding up the affairs and
19 administering the assets of any bank or quasi-

1 bank within the purview of this Act shall be
2 used to pay the costs, fees and expenses
3 mentioned in the preceding section, salaries of
4 such personnel whose employment is rendered
5 necessary in the discharge of the liquidation
6 together with other additional expenses caused
7 thereby. The balance of revenues and earnings,
8 after the payment of all said expenses, shall
9 form part of the assets available for payment to
10 creditors.]”

11 SEC. 16. Section 34 of the same Act is hereby
12 amended to read as follows:

13 “SEC. 34. *Refusal to Make Reports or*
14 *Permit Examination.* – Any officer, owner,
15 agent, manager, director or officer-in-charge of
16 any institution [subject to the supervision or
17 examination by the *Bangko Sentral* within the
18 purview of this act] who, being required in
19 writing by the Monetary Board or by the head
20 of the supervising and examining department

1 WITHIN THE PURVIEW OF THIS ACT AND
2 RELEVANT LAWS willfully refuses to file the
3 required report or permit any lawful
4 examination into the affairs of such institution
5 shall be punished by a fine of not less than fifty
6 thousand pesos (P50,000) nor more than [one
7 hundred thousand pesos (P100,000)] TWO
8 MILLION PESOS (P2,000,000) or by
9 imprisonment of not less than one (1) year nor
10 more than five (5) years, or both, [in] AT the
11 discretion of the court.

12 "THIS SHALL ALSO APPLY TO THE
13 OFFICER, OWNER, AGENT, MANAGER,
14 DIRECTOR OR OFFICER-IN-CHARGE OF
15 THE AFFILIATE COMPANY/IES WHOSE
16 TRANSACTIONS ARE SUBJECT TO
17 EXAMINATION UNDER THIS LAW."

18 SEC. 17. Section 35 of the same Act is hereby
19 amended to read as follows:

1 “SEC. 35. *False Statement.* – The willful
2 making of a false or misleading statement on a
3 material fact to the Monetary Board or to the
4 examiners of the *Bangko Sentral* shall be
5 punished by a fine of not less than One
6 hundred thousand pesos (P100,000) nor more
7 than [Two hundred thousand pesos (P200,000)]
8 TWO MILLION PESOS (P2,000,000.00), or by
9 imprisonment of not more than (5) years, or
10 both, at the discretion of the court.”

11 SEC. 18. Section 36 of the same Act is hereby
12 amended to read as follows:

13 “SEC. 36. *Proceedings Upon Violation of*
14 *This Act and Other Banking Laws, Rules,*
15 *Regulations, Orders or Instructions.* –
16 Whenever a bank, [or] quasi-bank,
17 INCLUDING THEIR SUBSIDIARIES AND
18 AFFILIATES ENGAGED IN ALLIED
19 ACTIVITIES OR OTHER ENTITY WHICH
20 UNDER THIS ACT OR SPECIAL LAWS IS

1 SUBJECT TO *BANGKO SENTRAL*
2 SUPERVISION or whenever any person or
3 entity willfully violates this Act or other
4 pertinent banking laws being enforced or
5 implemented by the *Bangko Sentral* or any
6 order, instruction, rule or regulation issued by
7 the Monetary Board, the person or persons
8 responsible for such violation shall unless
9 otherwise provided in this Act be punished by a
10 fine of not less than Fifty thousand pesos
11 (P50,000) nor more than [Two hundred
12 thousand pesos (P200,000)] TWO MILLION
13 PESOS (P2,000,000.00) or by imprisonment of
14 not less than two (2) years nor more than ten
15 (10) years, or both, at the discretion of the
16 court.

17 "Whenever AN ENTITY UNDER
18 *BANGKO SENTRAL* SUPERVISION [a bank
19 or quasi-bank] persists in carrying on its
20 business in an unlawful or unsafe manner, the

1 Board may, without prejudice to the penalties
2 provided in the preceding paragraph of this
3 section and the administrative sanctions
4 provided in Section 37 of this Act, take action
5 under Section 30 of this Act.

6 "THE *BANGKO SENTRAL* MAY GRANT
7 INFORMER'S REWARD TO ANY PERSON,
8 EXCEPT AN OFFICER OR EMPLOYEE OF
9 THE *BANGKO SENTRAL* OR OF ANY
10 INTELLIGENCE OR LAW ENFORCEMENT
11 AGENCY, INCLUDING THE RELATIVES OF
12 SUCH OFFICER OR EMPLOYEE WITHIN
13 THE FOURTH DEGREE OF
14 CONSANGUINITY OR AFFINITY, WHO
15 VOLUNTARILY GIVE DEFINITE
16 INFORMATION NOT YET IN THE
17 POSSESSION OF THE *BANGKO SENTRAL*
18 LEADING TO THE: (A) ARREST OF BANK
19 DIRECTORS OR OFFICERS AND/OR BSP
20 PERSONNEL FOR VIOLATION OF THIS

1 ACT OR ANY BANKING AND OTHER LAWS
2 IMPLEMENTED OR ENFORCED BY THE
3 *BANGKO SENTRAL*, OR FOR VIOLATION
4 OF OTHER PENAL LAWS COMMITTED IN
5 CONNECTION WITH THEIR EMPLOYMENT
6 OR FUNCTIONS; OR (B) FILING OF
7 CRIMINAL CHARGES AGAINST ANY
8 PERSON FOR VIOLATION OF SECTION 50
9 OF THIS ACT.

10 "THE MONETARY BOARD IS HEREBY
11 AUTHORIZED TO PROMULGATE THE
12 IMPLEMENTING GUIDELINES FOR THE
13 GRANT OF INFORMER'S REWARD, WHICH
14 IN NO CASE SHALL EXCEED ONE
15 MILLION PESOS (P1,000,000.00). SAID
16 GUIDELINES MAY PROVIDE FOR
17 ADDITIONAL QUALIFICATIONS AND
18 DISQUALIFICATIONS OF INFORMANTS AS
19 WELL AS THE FORM AND MINIMUM
20 CONTENT OF THE INFORMATION GIVEN.

1 “THE CASH REWARD OF INFORMERS
2 SHALL BE SUBJECT TO APPLICABLE
3 WITHHOLDING TAXES.”

4 SEC. 19. Section 37 of the same Act is hereby
5 amended to read as follows:

6 “SEC. 37. *Administrative Sanctions on*
7 *[Banks and Quasi-Banks] SUPERVISED*
8 *ENTITIES.* – THE IMPOSITION OF
9 ADMINISTRATIVE SANCTIONS SHALL BE
10 FAIR, CONSISTENT AND REASONABLE
11 [W]without prejudice to the criminal sanctions
12 against the culpable persons provided in
13 Sections 34, 35, and 36 of this Act, the
14 Monetary Board may, at its discretion, impose
15 upon any bank, [or] quasi-bank, INCLUDING
16 THEIR SUBSIDIARIES AND AFFILIATES
17 ENGAGED IN ALLIED ACTIVITIES, OR
18 OTHER ENTITY WHICH UNDER THIS ACT
19 OR SPECIAL LAWS ARE SUBJECT TO THE
20 BANGKO SENTRAL SUPERVISION, AND/OR

1 their directors, officers [and/]or EMPLOYEES,
2 for any willful violation of its charter or by-
3 laws, willful delay in the submission of reports
4 or publications thereof as required by law,
5 rules and regulations; any refusal to permit
6 examination into the affairs of the institution;
7 any willful making of a false or misleading
8 statement to the Board or the appropriate
9 supervising and examining department or its
10 examiners; any willful failure or refusal to
11 comply with, or violation of, any banking law or
12 any order, instruction or regulation issued by
13 the Monetary Board, or any order, instruction
14 or ruling by the Governor; or any commission of
15 irregularities, and/or conducting business in an
16 unsafe or unsound manner as may be
17 determined by the Monetary Board, the
18 following administrative sanctions, whenever
19 applicable:

1 “(a) fines in amounts as may be
2 determined by the Monetary Board to be
3 appropriate, but in no case to exceed [Thirty
4 thousand pesos (P30,000)] ONE MILLION
5 PESOS (P1,000,000.00) FOR EACH
6 TRANSACTIONAL VIOLATION OR ONE
7 HUNDRED THOUSAND PESOS
8 (P100,000.00) PER CALENDAR [a]day for
9 [each] violationS OF A CONTINUING
10 NATURE, taking into consideration the
11 attendant circumstances, such as the nature
12 and gravity of the violation or irregularity and
13 the size of the INSTITUTION: [bank or quasi-
14 bank] *PROVIDED*, THAT IN CASE PROFIT IS
15 GAINED OR LOSS IS AVOIDED AS A
16 RESULT OF THE VIOLATION, A FINE NO
17 MORE THAN THREE (3) TIMES THE
18 PROFIT GAINED OR LOSS AVOIDED MAY
19 ALSO BE IMPOSED;

1 “(b) suspension of rediscounting privileges
2 or access to *Bangko Sentral* credit facilities;

3 “(c) suspension of lending or foreign
4 exchange operations or authority to accept new
5 deposits or make new investments;

6 “(d) suspension of interbank clearing
7 privileges; and/or

8 “(e) SUSPENSION OR revocation of
9 quasi-banking OR OTHER SPECIAL licenseS.

10 “Resignation or termination from office
11 shall not exempt such director, officer OR
12 EMPLOYEE from administrative or criminal
13 sanctions.

14 “The Monetary Board may, whenever
15 warranted by circumstances, preventively
16 suspend any director, [or] officer OR
17 EMPLOYEE of [a bank or quasi-bank] THE
18 INSTITUTION pending an investigation:
19 *Provided*, That should the case be not finally
20 decided by the *Bangko Sentral* within a period

1 of one hundred twenty (120) days after the date
2 of suspension, said director, [or] officer OR
3 EMPLOYEE shall be reinstated in his position:
4 *Provided, further,* That when the delay in the
5 disposition of the case is due to the fault,
6 negligence or petition of the director or officer,
7 the period of delay shall not be counted in
8 computing the period of suspension herein
9 provided.

10 "The above administrative sanctions need
11 not be applied in the order of their severity.

12 "Whether or not there is an
13 administrative proceeding, if the institution
14 and/or the directors, officers [and/]or
15 EMPLOYEES concerned continue with or
16 otherwise persist in the commission of the
17 indicated practice or violation, the Monetary
18 Board may issue an order requiring the
19 institution and/or the directors, officers
20 [and/]or EMPLOYEES concerned to cease and

1 desist from the indicated practice or violation,
2 and may further order that immediate action
3 be taken to correct the conditions resulting
4 from such practice or violation. The cease and
5 desist order shall be immediately effective
6 upon service on the respondents.

7 "The respondents shall be afforded an
8 opportunity to defend their action in a hearing
9 before the Monetary Board or any committee
10 chaired by any Monetary Board member
11 created for the purpose, upon request made by
12 the respondents within five (5) days from their
13 receipt of the order. If no such hearing is
14 requested within said period, the order shall be
15 final. If a hearing is conducted, all issues shall
16 be determined on the basis of records, after
17 which the Monetary Board may either
18 reconsider or make final its order.

19 "The Governor is hereby authorized, at
20 his discretion, to impose upon [banking

1 institutions], BANKS AND QUASI-BANKS,
2 INCLUDING THEIR SUBSIDIARIES AND
3 AFFILIATES ENGAGED IN ALLIED
4 ACTIVITIES, AND OTHER ENTITIES
5 WHICH UNDER THIS ACT OR SPECIAL
6 LAWS ARE SUBJECT TO *BANGKO*
7 *SENTRAL* SUPERVISION for any failure to
8 comply with the requirements of law, Monetary
9 Board regulations and policies, and/or
10 instructions issued by the Monetary Board or
11 by the Governor, fines not in excess of [Ten
12 thousand pesos (P10,000)] ONE HUNDRED
13 THOUSAND PESOS (P100,000.00) FOR
14 EACH TRANSACTIONAL VIOLATION OR
15 THIRTY THOUSAND PESOS (P30,000.00)
16 PER CALENDAR [a] day for [each] violationS
17 OF A CONTINUING NATURE, the imposition
18 of which shall be final and executory until
19 reversed, modified or lifted by the Monetary
20 Board on appeal."

1 SEC. 20. A new section entitled Section 38-A is hereby
2 included in the same Act to read as follows:

3 "SEC. 38-A. ISSUANCE OF
4 *INJUNCTIVE RELIEF AGAINST BANGKO*
5 *SENTRAL ACTIONS.* – NO COURT, OTHER
6 THAN THE COURT OF APPEALS AND THE
7 SUPREME COURT, SHALL ISSUE ANY
8 TEMPORARY RESTRAINING ORDER,
9 PRELIMINARY INJUNCTION OR
10 PRELIMINARY MANDATORY INJUNCTION
11 AGAINST THE *BANGKO SENTRAL* FOR
12 ANY ACTION UNDER THIS ACT.

13 "ANY RESTRAINING ORDER OR
14 INJUNCTION ISSUED IN VIOLATION OF
15 THIS SECTION IS VOID AND OF NO FORCE
16 AND EFFECT.

17 "THE PROVISIONS OF THE RULES OF
18 COURT ON INJUNCTIONS INsofar AS
19 THESE ARE APPLICABLE AND NOT
20 INCONSISTENT WITH THE PROVISIONS

1 OF THIS ACT SHALL GOVERN THE
2 ISSUANCE AND DISSOLUTION OF
3 RESTRAINING ORDERS OR INJUNCTIONS
4 AGAINST THE *BANGKO SENTRAL*."

5 SEC. 21. Section 39 of the same Act is hereby
6 amended as follows:

7 "SEC. 39. *Reports and Publications.* – The
8 *Bangko Sentral* shall publish a general balance
9 sheet showing the volume and composition of
10 its assets and liabilities as of the last working
11 day of the month within [sixty (60)] NINETY
12 (90) days after the end of each month, WHICH
13 MAY BE REASONABLY EXTENDED BY THE
14 *BANGKO SENTRAL* AS WARRANTED.
15 [except for the month of December, which shall
16 be submitted within ninety (90) days after the
17 end thereof.]

18 "The Monetary Board shall publish and
19 submit the following reports to the President
20 and to the Congress:

1 “(a) not later than ninety (90) days after
2 the end of each quarter, an analysis of
3 economic and financial developments,
4 including the condition of net international
5 reserves and monetary aggregates;

6 “(b) within ninety (90) days after the end
7 of the year, WHICH MAY BE REASONABLY
8 EXTENDED BY THE *BANGKO SENTRAL* AS
9 WARRANTED, the preceding year's budget
10 and profit and loss statement of the *Bangko*
11 *Sentral* showing in reasonable detail the result
12 of its operations;

13 “(c) one hundred twenty (120) days after
14 the end of each semester, a review of the state
15 of the financial system; and

16 “(d) as soon as practicable, abnormal
17 movements in monetary aggregates and the
18 general price level, and, not later than seventy-
19 two (72) hours after they are taken, remedial

1 measures in response to such abnormal
2 movements.”

3 SEC. 22. Section 40 of the same Act is hereby
4 amended as follows:

5 “SEC. 40. *Annual Report.* – Before the end
6 of [March] JUNE of each year, the *Bangko*
7 *Sentral* shall publish and submit to the
8 President and the Congress an annual report
9 on the condition of the *Bangko Sentral*
10 including a review of the policies and measures
11 adopted by the Monetary Board during the past
12 year and an analysis of the economic and
13 financial circumstances which gave rise to said
14 policies and measures.

15 “The annual report shall also include a
16 statement of the financial condition of the
17 *Bangko Sentral* and a statistical appendix
18 which shall present, as a minimum, the
19 following data:

1 “(a) the monthly movement of monetary
2 aggregates and their components;

3 “(b) the monthly movement of purchases
4 and sales of foreign exchange and of the
5 international reserves of the *Bangko Sentral*;

6 “(c) the balance of payments of the
7 Philippines;

8 “(d) monthly indices of consumer prices
9 and of import and export prices;

10 “(e) the monthly movement, in summary
11 form, of exports and imports, by volume and
12 value;

13 “(f) the monthly movement of the
14 accounts of the *Bangko Sentral* and of other
15 banks;

16 “(g) the principal data on government
17 receipts and expenditures and on the status of
18 the public debt, both domestic and foreign; and

19 “(h) the texts of the major legal and
20 administrative measures adopted by the

1 Government and the Monetary Board during
2 the year which relate to the functions or
3 operations of the *Bangko Sentral* or of the
4 financial system.

5 "The *Bangko Sentral* shall publish
6 another version of the annual report in terms
7 understandable to the layman.

8 "[Failure to comply with the reportorial
9 requirements pursuant to this article without
10 *justifiable* reason as may be determined by the
11 Monetary Board shall cause the withholding of
12 the salary of the personnel concerned until
13 such requirements are complied with.]"

14 SEC. 23. Section 43 of the same Act is hereby
15 amended as follows:

16 "SEC. 43. *Computation of Profits and*
17 *Losses.* - Within the first [thirty (30)] SIXTY
18 (60) days following the end of each year, the
19 *Bangko Sentral* shall determine its net profits
20 or losses. [In the calculation of net profits, the

1 *Bangko Sentral* shall make adequate allowance
2 or establish adequate reserves for bad and
3 doubtful accounts] NOTWITHSTANDING
4 ANY PROVISION OF LAW TO THE
5 CONTRARY, THE NET PROFIT OF THE
6 *BANGKO SENTRAL* SHALL BE
7 DETERMINED AFTER ALLOWING FOR
8 EXPENSES OF OPERATION, ADEQUATE
9 ALLOWANCES AND PROVISIONS FOR BAD
10 AND DOUBTFUL DEBTS, DEPRECIATION
11 IN ASSETS, AND SUCH ALLOWANCES AND
12 PROVISIONS FOR CONTINGENCIES OR
13 OTHER PURPOSES AS THE MONETARY
14 BOARD MAY DETERMINE IN
15 ACCORDANCE WITH PRUDENT
16 FINANCIAL MANAGEMENT AND
17 EFFECTIVE CENTRAL BANKING
18 OPERATIONS."

19 SEC. 24. A new section entitled Section 43-A is hereby
20 included in the same Act to read as follows:

1 "SEC. 43-A. *BANGKO SENTRAL*
2 *RESERVE FUND.* – *THE BANGKO SENTRAL*
3 SHALL ESTABLISH A RESERVE FUND,
4 WHENEVER IT HAS INCOME OR POSITIVE
5 SURPLUS, TO MITIGATE FUTURE RISKS
6 SUCH AS, BUT NOT LIMITED TO, THE
7 IMPACTS OF FOREIGN EXCHANGE AND
8 PRICE FLUCTUATIONS, AND TO ADDRESS
9 OTHER CONTINGENCIES INHERENT IN
10 CARRYING OUT THE *BANGKO SENTRAL-*
11 MANDATED FUNCTIONS AS CENTRAL
12 MONETARY AUTHORITY. THE RESERVE
13 FUND SHALL CONSIST OF FLUCTUATION
14 RESERVE, CONTINGENCY RESERVE AND
15 SUCH OTHER RESERVES AS THE
16 MONETARY BOARD DEEMS PRUDENT OR
17 NECESSARY.

18 SEC. 25. Section 45 of the same Act is hereby
19 amended to read as follows:

1 "SEC. 45. Revaluation Profits and Losses.

2 – UNREALIZED profits or losses arising from
3 any revaluation of the *Bangko Sentral's* [net]
4 assets [or], liabilities OR DERIVATIVE
5 INSTRUMENTS DENOMINATED in [gold or]
6 foreign currencies with respect to the
7 MOVEMENTS OF PRICES AND EXCHANGE
8 RATES FROM THIRD CURRENCIES TO
9 Philippine peso shall not be included in the
10 computation of the annual profits and losses of
11 the *Bangko Sentral*. Any profits or losses
12 arising in this manner shall be offset by any
13 amounts which, as a consequence of such
14 revaluations, are owed by the Philippines
15 to any international or regional
16 intergovernmental financial institution of
17 which the Philippines is a member or are owed
18 by these institutions to the Philippines. Any
19 remaining UNREALIZED profit or loss shall be
20 carried in aN [special frozen] account which

1 shall be named "Revaluation of International
2 Reserve (RIR)", and the net balance of which
3 shall appear either among the liabilities or
4 among the assets of the *Bangko Sentral*,
5 depending on whether the revaluations have
6 produced net profits or net losses.

7 "The [Revaluation of International
8 Reserve] RIR account shall be [neither]
9 credited [nor] OR debited FOR THE PERIODIC
10 REVALUATION AS AUTHORIZED IN THIS
11 SECTION AND TO REFLECT THE
12 CORRESPONDING ADJUSTMENT RESULTING
13 TO REDUCTION IN THE *BANGKO*
14 *SENTRAL'S* NET FOREIGN ASSETS,
15 LIABILITIES AND FOREIGN CURRENCY-
16 DENOMINATED DERIVATIVE INSTRUMENTS.
17 THE RIR SHALL BE ADJUSTED AND
18 RECOGNIZED IN THE INCOME
19 STATEMENT UPON SALE OF GOLD AND
20 FOREIGN SECURITIES, OR WHEN THE

1 FOREIGN CURRENCY IS REPATRIATED TO
2 LOCAL CURRENCY OR IS USED TO PAY
3 FOREIGN OBLIGATIONS, OR UPON
4 MATURITY OF A FOREIGN CURRENCY-
5 DENOMINATED FORWARD OR OPTION
6 CONTRACT INVOLVING THE PHILIPPINE
7 PESO. [for any purposes other than those
8 specifically authorized in this section.]”

9 SEC. 26. Section 61 of the same Act is hereby
10 amended to read as follows:

11 “SEC. 61. *Guiding Principle.* – THE
12 MONETARY BOARD SHALL REGULARLY
13 ASSESS PRICE DEVELOPMENTS AND
14 OUTLOOK AND, BASED ON ITS ANALYSIS
15 AND EVALUATION OF INFLATIONARY
16 PRESSURES, USE ITS POLICY
17 INSTRUMENTS TO ATTAIN AND
18 MAINTAIN PRICE STABILITY. [The
19 Monetary Board shall endeavor to control any
20 expansion or contraction in monetary

1 aggregates which is prejudicial to the
2 attainment or maintenance of price stability.]”

3 SEC. 27. Section 63 of the same Act is hereby
4 amended to read as follows:

5 “SEC. 63. *Action when Abnormal*
6 *Movements Occur in the [Monetary Aggregates,*
7 *Credit, Or] Price Level.* – Whenever abnormal
8 movements in the [monetary aggregates, in
9 credit, or in] prices endanger the stability of
10 the Philippine economy or important sectors
11 thereof, the Monetary Board shall:

12 “(a) take such remedial measures as are
13 appropriate and within the powers granted to
14 the Monetary Board and the *Bangko Sentral*
15 under the provisions of this Act; and

16 “(b) submit to the President of the
17 Philippines and the Congress, and make public,
18 a detailed report which shall include, as a
19 minimum, a description and analysis of:

1 “(1) the causes of the rise or fall of [the
2 monetary aggregates, of credit or of] prices;

3 “(2) the extent to which the changes in
4 [the monetary aggregates, in credit, or in]
5 prices have been reflected in changes in the
6 level of domestic output, employment, wages
7 and economic activity in general, and the
8 nature and significance of any such changes;
9 and

10 “(3) the measures which the Monetary
11 Board has taken and the other monetary, fiscal
12 or administrative measures which it
13 recommends to be adopted.

14 “Whenever the [monetary aggregates, or
15 the level of credit, increases or decreases by
16 more than fifteen percent (15%), or the] cost of
17 living index increases by more than ten percent
18 (10%), in relation to the level existing at the
19 end of the corresponding month of the
20 preceding year, or even though [any of these]

1 THIS quantitative guideline[s have] HAS not
2 been reached when in its judgment the
3 circumstances so warrant, the Monetary Board
4 shall submit the reports mentioned in this
5 section, and shall state therein whether, in the
6 opinion of the Board, said changes in the
7 [monetary aggregates, credit or] cost of living
8 represent a threat to the stability of the
9 Philippine economy or of important sectors
10 thereof.

11 "The Monetary Board shall continue to
12 submit periodic reports to the President of the
13 Philippines and to Congress until it considers
14 that the [monetary, credit or] price
15 disturbances have disappeared or have been
16 adequately controlled."

17 SEC. 28. Section 66 of the same Act is hereby
18 amended to read as follows:

19 "SEC. 66. *Composition of the International*
20 *Reserves.* – The international reserves of the

1 *Bangko Sentral* may include but shall not be
2 limited to the following assets:

3 “(a) gold; and

4 “(b) assets in foreign currencies in the
5 form of documents and instruments
6 customarily employed for the international
7 transfer of funds; demand and time deposits in
8 central banks, treasuries and commercial
9 banks abroad; foreign government securities;
10 and foreign notes and coins.

11 “The Monetary Board shall endeavor to
12 hold the foreign exchange resources of the
13 *Bangko Sentral* in freely convertible
14 currencies[; moreover, the Board shall give
15 particular consideration to the prospects of
16 continued strength and convertibility of the
17 currencies in which the reserve is maintained,
18 as well as to the anticipated demands for such
19 currencies]. The Monetary Board shall issue
20 regulations determining the other

1 qualifications which foreign exchange assets
2 must meet in order to be included in the
3 international reserves of the *Bangko Sentral*.

4 "The *Bangko Sentral* shall be free to
5 convert any of the assets in its international
6 reserves into other assets as described in
7 subsections (a) and (b) of this section."

8 SEC. 29. Section 81 of the same Act is hereby
9 amended to read as follows:

10 "SEC. 81. *Guiding Principles*. – The rediscounts,
11 discounts, loans and advances which the
12 *Bangko Sentral* is authorized to extend to
13 banking institutions, under the provisions of
14 the present article of this Act shall be used to
15 influence the volume of credit consistent with
16 the objective of price stability AND
17 MAINTENANCE OF FINANCIAL STABILITY."

18 SEC. 30. Section 84 of the same Act is hereby
19 amended to read as follows:

1 “SEC. 84. *Emergency Loans and Advances.*

2 – In periods of national and/or local emergency
3 or of imminent financial panic which directly
4 threaten monetary and FINANCIAL [banking]
5 stability, the Monetary Board may, by a vote of
6 at least five (5) of its members, authorize the
7 *Bangko Sentral* to grant extraordinary loans or
8 advances to banking institutions, secured by
9 assets as defined hereunder: *Provided, That*
10 while such loans or advances are outstanding,
11 the debtor institution shall not, except upon
12 prior authorization by the Monetary Board,
13 expand the total volume of its loans or
14 investments.

15 “The Monetary Board may, at its
16 discretion, likewise authorize the *Bangko*
17 *Sentral* to grant emergency loans or advances
18 to banking institutions, even during normal
19 periods, for the purpose of assisting a bank in a
20 precarious financial condition or under serious

1 financial pressures brought by unforeseen
2 events, or events which, though foreseeable,
3 could not be prevented by the bank concerned:
4 *Provided, however,* That the Monetary Board
5 has ascertained that the bank is not insolvent
6 and has the assets defined hereunder to secure
7 the advances: *Provided, further,* That a
8 concurrent vote of at least five (5) members of
9 the Monetary Board is obtained.

10 "The amount of any emergency loan or
11 advance shall not exceed the sum of fifty
12 percent (50%) of total deposits and deposit
13 substitutes of the banking institution, and
14 shall be disbursed in two (2) or more tranches.
15 The amount of the first tranche shall be limited
16 to twenty-five percent (25%) of the total deposit
17 and deposit substitutes of the institution and
18 shall be secured by (A) government securities,
19 (B) ACCEPTABLE GUARANTEES BACKED
20 UP BY THE NATIONAL GOVERNMENT OR

1 ITS SECURITIES; (C) [to the extent of their
2 applicable loan values and] other
3 unencumbered first class collaterals and (D)
4 OTHER KINDS OF COLLATERALS AS MAY
5 BE AUTHORIZED BY THE MONETARY
6 BOARD IN ACCORDANCE WITH SOUND
7 RISK MANAGEMENT PRINCIPLES [which
8 the Monetary Board may approve]: *Provided,*
9 That if as determined by the Monetary Board,
10 the circumstances surrounding the emergency
11 warrant a loan or advance greater than the
12 amount provided hereinabove, the amount of
13 the first tranche may exceed twenty-five
14 percent (25%) of the bank's total deposit and
15 deposit substitutes if the same is adequately
16 secured by [applicable loan values of
17 government securities and unencumbered first
18 class collaterals] ANY OF THE
19 COLLATERALS SET FORTH ABOVE AS
20 approved by the Monetary Board, and the

1 principal stockholders of the institution furnish
2 an acceptable undertaking to indemnify and
3 hold harmless from suit a conservator whose
4 appointment the Monetary Board may find
5 necessary at any time.

6 "Prior to the release of the first tranche,
7 the banking institution shall submit to the
8 *Bangko Sentral* a resolution of its board of
9 directors authorizing the *Bangko Sentral* to
10 evaluate other assets of the banking institution
11 certified by its external auditor to be good and
12 available for collateral purposes should the
13 release of the subsequent tranche be thereafter
14 applied for.

15 "The Monetary Board may, by a vote of at
16 least five (5) of its members, authorize the
17 release of a subsequent tranche on condition
18 that the principal stockholders of the
19 institution:

1 “(a) furnish an acceptable undertaking to
2 indemnify and hold harmless from suit a
3 conservator whose appointment the Monetary
4 Board may find necessary at any time; and

5 “(b) provide acceptable security which, in
6 the judgment of the Monetary Board, would be
7 adequate to supplement, where necessary, the
8 assets tendered by the banking institution to
9 collateralize the subsequent tranche.

10 “In connection with the exercise of these
11 powers, the prohibitions in Section 128 of this
12 Act shall not apply insofar as it refers to
13 acceptance as collateral of shares and their
14 acquisition as a result of foreclosure
15 proceedings, including the exercise of voting
16 rights pertaining to said shares: *Provided,*
17 *however,* That should the *Bangko Sentral*
18 acquire any of the shares it has accepted as
19 collateral as a result of foreclosure proceedings,
20 the *Bangko Sentral* shall dispose of said shares

1 by public bidding within one (1) year from the
2 date of consolidation of title by the *Bangko*
3 *Sentral*.

4 "Whenever a financial institution incurs
5 an overdraft in its account with the *Bangko*
6 *Sentral*, the same shall be eliminated within
7 the period prescribed in Section 102 of this
8 Act."

9 SEC. 31. A new section entitled Section 88-A is hereby
10 included in the same Act to read as follows:

11 "SEC. 88-A. EXEMPTION OF
12 COLLATERALS FROM ATTACHMENTS,
13 EXECUTIONS AND OTHER
14 RESTRICTIONS. - COLLATERALS ON
15 LOANS AND ADVANCES GRANTED BY THE
16 BANGKO SENTRAL, WHETHER OR NOT
17 THE INTEREST OF THE BANGKO
18 SENTRAL IS REGISTERED, SHALL NOT BE
19 SUBJECT TO ATTACHMENT, EXECUTION
20 OR ANY OTHER COURT PROCESS OR

1 ADMINISTRATIVE RESTRICTIONS ON LAND
2 USE, NOR SHALL THEY BE INCLUDED IN
3 THE PROPERTY OF INSOLVENT PERSONS
4 OR INSTITUTIONS."

5 SEC. 32. A new section entitled Section 88-B is hereby
6 included in the same Act to read as follows:

7 "SEC. 88-B. *DEPUTIZATION OF LEGAL*
8 *STAFF IN CASE OF FORECLOSURES.* – IN
9 CASE OF AN EXTRAJUDICIAL
10 FORECLOSURE OF MORTGAGE IN
11 CONNECTION WITH LOANS AND
12 ADVANCES UNDER THIS ARTICLE, THE
13 *BANGKO SENTRAL* MAY DEPUTIZE ANY
14 OF ITS LAWYERS TO CONDUCT THE
15 PUBLIC AUCTION PURSUANT TO ACT NO.
16 3135, AS AMENDED.

17 "LIKEWISE, IN CASE OF A JUDICIAL
18 FORECLOSURE IN CONNECTION WITH
19 LOANS AND ADVANCES UNDER THIS
20 ARTICLE, THE *BANGKO SENTRAL* MAY,

1 WITH THE APPROVAL OF THE COURT,
2 DEPUTIZE ANY OF ITS LAWYERS TO ACT
3 AS SPECIAL SHERIFF IN THE SALE OF A
4 DEBTOR'S PROPERTIES AND IN THE
5 ENFORCEMENT OF COURT WRITS AND
6 PROCESSES RELATED THERETO. THE
7 SPECIAL SHERIFF OF THE *BANGKO*
8 *SENTRAL* SHALL MAKE A REPORT TO THE
9 PROPER COURT AFTER ANY ACTION HAS
10 BEEN TAKEN BY HIM, WHICH COURT
11 SHALL TREAT SUCH ACTION AS IF IT
12 WERE AN ACT OF ITS OWN SHERIFF IN
13 ALL RESPECTS.

14 "NO RESTRAINING ORDER OR
15 INJUNCTION SHALL BE ISSUED BY THE
16 COURT ENJOINING THE *BANGKO*
17 *SENTRAL* FROM PROCEEDING WITH THE
18 FORECLOSURE OF THE MORTGAGE
19 UNLESS A BOND IS POSTED IN FAVOR OF
20 THE *BANGKO SENTRAL* IN AN AMOUNT

1 EQUIVALENT TO THE TOTAL CLAIM OF
2 THE *BANGKO SENTRAL*. THE RESTRAINING
3 ORDER OR INJUNCTION SHALL BE
4 REFUSED OR, IF GRANTED, SHALL BE
5 DISSOLVED UPON FILING BY THE
6 *BANGKO SENTRAL* OF A BOND, WHICH
7 MAY BE IN THE FORM OF A *BANGKO*
8 *SENTRAL* CHECK, IN AN AMOUNT TWICE
9 THE AMOUNT OF THE ORIGINAL BOND
10 POSTED CONDITIONED THAT THE
11 *BANGKO SENTRAL* WILL PAY THE
12 DAMAGES WHICH THE PARTY MAY
13 SUFFER BY THE REFUSAL OR DISSOLUTION
14 OF THE INJUNCTION. THE PROVISIONS
15 OF THE RULES OF COURT ON
16 INJUNCTIONS INsofar AS THEY ARE
17 APPLICABLE AND NOT INCONSISTENT
18 WITH THE PROVISIONS OF THIS SECTION
19 SHALL GOVERN THE ISSUANCE AND
20 DISSOLUTION OF THE RESTRAINING

1 ORDER OR INJUNCTION CONTEMPLATED
2 IN THIS SECTION.”

3 SEC. 33. A new section entitled Section 88-C is hereby
4 included in the same Act to read as follows:

5 “SEC. 88-C. *RIGHT OF REDEMPTION OF*
6 *FORECLOSED REAL PROPERTY; RIGHT OF*
7 *POSSESSION DURING REDEMPTION PERIOD.* –
8 IN THE EVENT OF FORECLOSURE,
9 WHETHER JUDICIALLY OR EXTRAJUDICIALLY,
10 THE MORTGAGOR, WHO IS A NATURAL
11 PERSON, SHALL HAVE THE RIGHT TO
12 REDEEM THE PROPERTY WITHIN ONE (1)
13 YEAR FROM THE DATE OF FORECLOSURE
14 SALE. IN CASE THE MORTGAGOR IS A
15 JURIDICAL PERSON, THE MORTGAGOR
16 SHALL HAVE THE RIGHT TO REDEEM
17 THE PROPERTY SOLD IN A JUDICIAL
18 FORECLOSURE SALE WITHIN ONE (1)
19 YEAR FROM THE DATE OF FORECLOSURE
20 SALE: *PROVIDED*, THAT IN CASE OF AN

EXTRAJUDICIAL FORECLOSURE, NOTWITHSTANDING
ACT NO. 3135, THE MORTGAGOR SHALL
HAVE THE RIGHT TO REDEEM THE
PROPERTY SOLD WITHIN NINETY (90)
DAYS FROM THE FORECLOSURE SALE
BUT NOT LATER THAN THE
REGISTRATION OF THE CERTIFICATE OF
FORECLOSURE SALE. REDEMPTION SHALL
BE EFFECTED BY PAYING THE
PRINCIPAL, INTERESTS, CHARGES,
COMMISSIONS AND ALL CLAIMS OF
WHATEVER NATURE OF THE *BANGKO*
SENTRAL OUTSTANDING AND DUE AS OF
THE DATE OF FORECLOSURE SALE,
INCLUDING ALL COSTS AND OTHER
EXPENSES INCURRED BY REASON OF
THE FORECLOSURE SALE AND CUSTODY
OF THE PROPERTY.

"THE *BANGKO SENTRAL*, AS
PURCHASER IN THE FORECLOSURE SALE

1 AND WITHOUT NEED OF POSTING A
2 BOND, MAY TAKE POSSESSION OF THE
3 FORECLOSED PROPERTY DURING THE
4 REDEMPTION PERIOD. THE *BANGKO*
5 *SENTRAL* SHALL BE ENTITLED TO THE
6 FRUITS OF THE PROPERTY, THE SAME TO
7 BE APPLIED AGAINST THE REDEMPTION
8 PRICE."

9 SEC. 34. A new section entitled Section 88-D is hereby
10 included in the same Act to read as follows:

11 "SEC. 88-D. *UNSECURED BANGKO*
12 *SENTRAL CLAIMS*. – ALL UNSECURED
13 CLAIMS OF THE *BANGKO SENTRAL*
14 SHALL BE CONSIDERED PREFERRED
15 CREDITS SIMILAR TO TAXES DUE TO THE
16 NATIONAL GOVERNMENT IN THE ORDER
17 OF PREFERENCE UNDER ARTICLE 2244
18 OF THE NEW CIVIL CODE."

19 SEC. 35. A new section entitled Section 89-A is hereby
20 included in the same Act to read as follows:

1 "SEC. 89-A. *FINANCIAL FACILITIES*
2 *FOR ISLAMIC BANKS. - THE BANGKO*
3 *SENTRAL* MAY, TAKING INTO CONSIDERATION
4 THE PECULIAR CHARACTERISTICS OF
5 ISLAMIC BANKING, FORMULATE RULES
6 AND REGULATIONS FOR THE EXTENSION
7 OF FINANCIAL FACILITIES TO ISLAMIC
8 BANKS: *PROVIDED*, SUCH EXPOSURES
9 SHALL BE PROPERLY SECURED."

10 SEC. 36. A new section entitled Section 89-B is hereby
11 included in the same Act to read as follows:

12 "SEC. 89-B. *LOANS TO THE*
13 *PHILIPPINE DEPOSIT INSURANCE*
14 *CORPORATION (PDIC). - THE BANGKO*
15 *SENTRAL*, PURSUANT TO ITS MANDATE
16 OF MAINTAINING FINANCIAL STABILITY,
17 MAY LEND FUNDS TO THE PDIC FOR
18 INSURANCE PURPOSES AND IN CASES OF
19 FINANCIAL ASSISTANCE THAT THE
20 LATTER IS AUTHORIZED TO EXTEND

1 UNDER SECTION 22(E) OF REPUBLIC
2 ACT NO. 3591, AS AMENDED.
3 NOTWITHSTANDING SECTION 23 OF
4 REPUBLIC ACT NO. 3591, AS AMENDED,
5 THE MONETARY BOARD SHALL
6 PRESCRIBE INTEREST RATES AND SUCH
7 OTHER TERMS AND CONDITIONS OF THE
8 LOAN."

9 SEC. 37. Section 92 of the same Act is hereby
10 amended to read as follows:

11 "SEC. 92. *Issue and Negotiation of Bangko*
12 *Sentral Obligations.* — In order to provide the
13 *Bangko Sentral* with effective instruments for
14 open market operations, the *Bangko Sentral*
15 may, subject to such rules and regulations as
16 the Monetary Board may prescribe and in
17 accordance with the principles stated in
18 Section 90 of this Act, issue, place, buy and sell
19 freely negotiable evidences of indebtedness of
20 the *Bangko Sentral*. [*Provided, That issuance*

1 of such certificates of indebtedness shall be
2 made only in cases of extraordinary movement
3 in price levels.] Said evidences of indebtedness
4 may be issued directly against the
5 international reserve of the *Bangko Sentral* or
6 against the securities which it has acquired
7 under the provisions of Section 91 of this Act,
8 or may be issued without relation to specific
9 types of assets of the *Bangko Sentral*.

10 "The Monetary Board shall determine the
11 interest rates, maturities and other
12 characteristics of said obligations of the
13 *Bangko Sentral*, and may, if it deems it
14 advisable, denominate the obligations in gold
15 or foreign currencies.

16 "Subject to the principles stated in
17 Section 90 of this Act, the evidences of
18 indebtedness of the *Bangko Sentral* to which
19 this section refers may be acquired by the
20 *Bangko Sentral* before their maturity, either

1 through purchases in the open market or
2 through redemptions at par and by lot if the
3 *Bangko Sentral* has reserved the right to make
4 such redemptions. The evidences of
5 indebtedness acquired or redeemed by the
6 *Bangko Sentral* shall not be included among its
7 assets, and shall be immediately retired and
8 cancelled."

9 SEC. 38. Section 95 of the same Act is hereby
10 amended to read as follows:

11 "SEC. 95. *Definition of Deposit*
12 *Substitutes.* – The term "deposit substitutes" is
13 defined as an alternative form of obtaining
14 funds from the public, other than deposits,
15 through the issuance, endorsement, or
16 acceptance of debt instruments for the
17 borrower's own account, for the purpose of
18 relending or purchasing of receivables and
19 other obligations. These instruments may
20 include, but need not be limited to, bankers

1 acceptances, promissory notes, participations,
2 certificates of assignment and similar
3 instruments with recourse, and repurchase
4 agreements. THE PHRASE 'OBTAINING
5 FUNDS FROM THE PUBLIC' SHALL MEAN
6 BORROWING FROM TWENTY (20) OR
7 MORE LENDERS AT ANY ONE TIME, AND,
8 FOR THIS PURPOSE, "LENDERS" SHALL
9 REFER TO INDIVIDUALS AND
10 CORPORATE ENTITIES THAT ARE NOT
11 ACTING AS FINANCIAL INTERMEDIARIES,
12 SUBJECT TO THE SAFEGUARDS AND
13 REGULATIONS ISSUED BY THE
14 MONETARY BOARD. The Monetary Board
15 shall determine what specific instruments shall
16 be considered as deposit substitutes for the
17 purposes of Section 94 of this Act: *Provided,*
18 *however,* That deposit substitutes of
19 commercial, industrial and other non-financial
20 companies for the limited purpose of financing

1 their own needs or the needs of their agents or
2 dealers shall not be covered by the provisions of
3 Section 94 of this Act.”

4 SEC. 39. Section 101 of the same Act is hereby
5 amended to read as follows:

6 “SEC. 101. *Reserve Deficiencies.* –
7 Whenever the reserve position of any bank or
8 quasi-bank, computed in the manner specified
9 in the preceding section of this Act, is below the
10 required minimum, the bank or quasi-bank
11 shall pay the *Bangko Sentral* [one-tenth of one
12 percent (1/10 of 1%) per day on the amount of
13 the deficiency or the prevailing ninety-one-day
14 treasury bill rate plus three percentage points,
15 whichever is higher] MONETARY PENALTY
16 AS MAY BE PRESCRIBED BY THE
17 MONETARY BOARD: *Provided, however,* That
18 banks and quasi-banks shall ordinarily be
19 permitted to offset any reserve deficiency
20 occurring on one or more days of the week with

1 any excess reserves which they may hold on
2 other days of the same week and shall be
3 required to pay the penalty [only on the
4 average daily deficiency during the week] IN
5 ACCORDANCE WITH THE MECHANISM
6 APPROVED BY THE MONETARY BOARD. In
7 cases of abuse, the Monetary Board may deny
8 any bank or quasi-bank the privilege of
9 offsetting reserve deficiencies in the aforesaid
10 manner.

11 “If a bank or quasi-bank chronically has a
12 reserve deficiency, the Monetary Board may
13 limit or prohibit the making of new loans or
14 investments by the institution and may require
15 that part or all of the net profits of the
16 institution be assigned to surplus.

17 “The Monetary Board may modify or set
18 aside the reserve deficiency penalties provided
19 in this section, for part or the entire period of a
20 strike or lockout affecting a bank or a quasi-

1 bank as defined in the Labor Code, or of a
2 national emergency affecting operations of
3 banks or quasi-banks, OR IN SUCH OTHER
4 INSTANCES WHERE THE GRANT OF
5 WAIVER OF PENALTIES IS DETERMINED
6 BY THE MONETARY BOARD TO BE
7 JUSTIFIABLE. The Monetary Board may also
8 modify or set aside reserve deficiency penalties
9 for rehabilitation program of a bank."

10 SEC. 40. Section 104 of the same Act is hereby
11 amended to read as follows:

12 "SEC. 104. *Guiding Principle.* - The
13 Monetary Board shall use the powers granted
14 to it under this Act to ensure that the supply,
15 availability and cost of money are in accord
16 with the needs of the Philippine economy and
17 that bank credit is not granted for speculative
18 purposes prejudicial to the national interests.
19 Regulations on bank operations shall be
20 applied to all banks of the same category, AS

1 MAY BE DEFINED BY THE MONETARY
2 BOARD, uniformly and without
3 discrimination."

4 SEC. 41. Section 108 of the same Act is hereby
5 amended to read as follows:

6 "SEC. 108. *Minimum Capital Ratios.* –

7 The Monetary Board may prescribe minimum
8 RISK-BASED CAPITAL ADEQUACY ratios
9 BASED ON INTERNATIONALLY ACCEPTED
10 STANDARDS [which the capital and surplus of
11 the banks must bear to the volume of their
12 assets, or to specific categories thereof,] and
13 may alter said ratios whenever it deems
14 necessary. IN THE EXERCISE OF ITS
15 AUTHORITY UNDER THIS SECTION, THE
16 MONETARY BOARD MAY REQUIRE BANKS
17 TO HOLD CAPITAL BEYOND THE MINIMUM
18 REQUIREMENTS COMMENSURATE TO THEIR
19 RISK PROFILE."

1 SEC. 42. Section 113 of the same Act is hereby
2 amended to read as follows:

3 "SEC.113. *Official Deposits.* – The *Bangko*
4 *Sentral* shall be the official depository of the
5 Government, its political subdivisions and
6 instrumentalities as well as of government-
7 owned or -controlled corporations. [and, a] As a
8 general policy, their cash balances should be
9 deposited with the *Bangko Sentral*, with only
10 minimum working balances to be held by
11 government-owned banks and such other
12 banks LICENSED TO OPERATE
13 [incorporated] in the Philippines as the
14 Monetary Board may AUTHORIZE. [designate,
15 subject to such rules and regulations as the
16 Board may prescribe: *Provided*, That such
17 banks may hold deposits of the political
18 subdivisions and instrumentalities of the
19 Government beyond their minimum working
20 balances whenever such subdivisions and

1 instrumentalities have outstanding loans with
2 said banks.]

3 "The *Bangko Sentral* may ACCEPT
4 DEPOSITS AND pay interest on SUCH
5 deposits AND OTHER SIMILAR
6 PLACEMENTS of the Government or of its
7 political subdivisions and instrumentalities,
8 banks AND OTHER *BANGKO SENTRAL*-
9 SUPERVISED INSTITUTIONS."

10 SEC. 43. Section 123 of the same Act is hereby
11 amended to read as follows:

12 "SEC. 123. *Financial Advice on Official*
13 *Credit Operations.* – Before undertaking any
14 credit operation abroad, the Government,
15 through the Secretary of Finance, shall request
16 the opinion, in writing, of the Monetary Board
17 on the monetary implications of the
18 contemplated action. Such opinions must
19 similarly be requested by all political
20 subdivisions and instrumentalities of the

1 Government before any credit operation abroad
2 is undertaken by them.

3 "The opinion of the Monetary Board shall
4 be based on the gold and foreign exchange
5 resources and obligations of the nation and on
6 the effects of the proposed operation on the
7 balance of payments and on monetary
8 aggregates.

9 "Whenever the Government, or any of its
10 political subdivisions or instrumentalities,
11 contemplates borrowing within the Philippines,
12 the prior opinion of the Monetary Board shall
13 likewise be requested in order that the Board
14 may render an opinion on the probable effects
15 of the proposed operation on monetary
16 aggregates, the price level, and the balance of
17 payments.

18 "A CREDIT OPERATION OR
19 BORROWING AS PROVIDED HEREIN MAY
20 TAKE THE FORM OF DIFFERENT CREDIT

1 FACILITIES SUCH AS, BUT NOT LIMITED
2 TO, A SINGLE LOAN, SERIES OF LOANS
3 UNDER A BORROWING PROGRAM, OR
4 CREDIT LINES. NO PRIOR MONETARY
5 BOARD OPINION SHALL BE REQUIRED
6 FOR INDIVIDUAL DRAWDOWNS OR
7 BORROWINGS WITHIN APPROVED CREDIT
8 LINES OR BORROWING PROGRAMS."

9 SEC. 44. Section 125 of the same Act is hereby
10 amended to read as follows:

11 "SEC. 125. *Tax Exemptions.* – The *Bangko*
12 *Sentral* shall be exempt [for a period of five (5)
13 years from the approval of this Act] from all
14 national, provincial, municipal and city taxes
15 [fees, charges and assessments.

16 "The exemption authorized in the
17 preceding paragraph of this section shall apply
18 to all property of the *Bangko Sentral*, to the
19 resources, receipts, expenditures, profits and
20 income of the *Bangko Sentral*, as well as to all]

1 [contracts, deeds, documents and transactions
2 related to the conduct of the business of the
3 *Bangko Sentral*: *Provided, however*, That said
4 exemptions shall apply only to such taxes, fees,
5 charges and assessments for which the *Bangko*
6 *Sentral* itself would otherwise be liable, and
7 shall not apply to taxes, fees, charges, or
8 assessments payable by persons or other
9 entities doing business with the *Bangko*
10 *Sentral*: *Provided, further*, That foreign loans
11 and other obligations of the *Bangko Sentral*
12 shall be exempt, both as to principal and
13 interest, from any and all taxes if the payment
14 of such taxes has been assumed by the *Bangko*
15 *Sentral*."] ON INCOME DERIVED FROM ITS
16 GOVERNMENTAL FUNCTIONS, SPECIFICALLY:

17 "A) INCOME FROM ITS ACTIVITIES
18 OR TRANSACTIONS IN THE EXERCISE OF
19 ITS SUPERVISION OVER THE OPERATIONS
20 OF BANKS AND ITS REGULATORY AND

1 EXAMINATION POWERS OVER NON-BANK
2 FINANCIAL INSTITUTIONS PERFORMING
3 QUASI-BANKING FUNCTIONS, MONEY
4 SERVICE BUSINESSES, CREDIT GRANTING
5 BUSINESSES AND PAYMENT SYSTEM
6 OPERATORS;

7 "B) INCOME IN PURSUIT OF ITS
8 PRIMARY OBJECTIVE TO MAINTAIN
9 PRICE STABILITY, CONDUCIVE TO A
10 BALANCED AND SUSTAINABLE GROWTH
11 OF THE ECONOMY, AND THE PROMOTION
12 AND MAINTENANCE OF MONETARY AND
13 FINANCIAL STABILITY AND THE
14 CONVERTIBILITY OF THE PESO.

15 "ALL OTHER INCOMES NOT
16 INCLUDED IN THE ABOVE ENUMERATION
17 SHALL BE CONSIDERED AS PROPRIETARY
18 INCOME AND SHALL BE SUBJECT TO ALL
19 TAXES, CHARGES, FEES AND ASSESSMENTS."

1 SEC. 45. Section 128 of the same Act is hereby
2 amended to read as follows:

3 “SEC. 128. *Prohibitions.* – The *Bangko*
4 *Sentral* shall not acquire shares of any kind or
5 accept them as collateral, and shall not
6 participate in the ownership or management of
7 any enterprise, either directly or indirectly: [.]
8 *PROVIDED, THAT THIS PROHIBITION*
9 *SHALL NOT APPLY WHENEVER THE*
10 *MONETARY BOARD, BY A VOTE OF AT*
11 *LEAST FIVE (5) OF ITS MEMBERS, (1)*
12 *DEEMS AN ACQUISITION OR*
13 *INVESTMENT TO BE NECESSARY TO*
14 *QUALIFY OR AS REQUIRED FOR*
15 *MEMBERSHIP IN INTERNATIONAL AND*
16 *REGIONAL ORGANIZATIONS OR (2)*
17 *DETERMINES THAT INVESTING IN*
18 *AND/OR OPERATING AN ENTERPRISE*
19 *WILL BE CONSISTENT WITH THE*
20 *EFFECTIVE FULFILLMENT OF ITS*

1 MANDATE AND WILL NOT CONSTITUTE
2 ANY CONFLICT OF INTEREST.

3 "The *Bangko Sentral* shall not engage in
4 development banking or financing: *Provided,*
5 *however,* That outstanding loans obtained or
6 extended for development financing shall not
7 be affected by the prohibition of this section."

8 SEC. 46. Section 132 of the same Act is hereby
9 amended to read as follows:

10 "SEC. 132. Transfer of Assets and
11 Liabilities. - x x x

12 "(b) the *Bangko Sentral* shall remit
13 seventy five percent (75%) of its net profits AS
14 COMPUTED IN THIS ACT to a special deposit
15 account (sinking fund) OR TO THE
16 NATIONAL TREASURY AS DIVIDENDS,
17 until such time as the net liabilities of the
18 Central Bank shall have been liquidated
19 through generally accepted finance
20 mechanisms such as, but not limited to, write-

1 offs, setoffs, condonation, collections,
2 reappraisal, revaluation and bond issuance by
3 the National Government[, or to the National
4 Government as dividends]. THEREAFTER, IT
5 SHALL REMIT FIFTY PERCENT (50%) OF
6 ITS SAID NET PROFITS TO THE NATIONAL
7 TREASURY;"

8 SEC. 47. *Repealing Clause.* – All provisions of existing
9 laws, orders, rules and regulations, or parts thereof which
10 are in conflict or inconsistent with the provisions of this
11 Act are hereby repealed, amended or modified accordingly.

12 SEC. 48. *Separability Clause.* – If any provision or
13 section of this Act is held to be unconstitutional or invalid,
14 the other provisions or sections hereof, which are not
15 affected thereby shall continue to be in full force and effect.

16 SEC. 49. *Effectivity.* – This Act shall take effect fifteen
17 (15) days following its publication in the *Official Gazette* or
18 in a newspaper of general circulation in the Philippines.

19 Approved,