
Introduced by **SENATOR EDGARDO J. ANGARA**

EXPLANATORY NOTE

Experience in the past highlighted the inability of the Bangko Sentral ng Pilipinas (BSP) to deal effectively and expeditiously with problem banks. The authority of the BSP over problem banks; in general, is limited to the grant of emergency advances in case of illiquidity, or closure in case of insolvency. Prompt corrective actions cannot be implemented due to the absence of clear and strong legal basis. Such inability of the BSP often causes losses of hard-earned money of the depositors and also losses of public funds.

Therefore, to better protect the interest of the depositors and to avoid losses of the public funds, this Bill seeks to adopt, among others, the following international best practices in banking supervision and other measures that will strengthen the regulatory and supervisory powers of the BSP over banks and other financial institutions:

1. The principle of consolidated supervision - This will authorize the BSP, when examining a bank or other financial institution under its supervision, to examine its subsidiaries and affiliates engaged in allied activities. This is an international best practice and very important in our jurisdiction since the parent institution can be adversely affected by the failure of its subsidiaries and affiliates. Hence, the BSP should be able to evaluate and determine the financial condition, not only of the parent institution under its supervision but also of its subsidiaries and affiliates.
2. BSP's authority to approve transfers or acquisitions of shares in a supervised institution where such transfer or acquisition or series of transfers or acquisitions should be sufficient to elect at least one seat in the board or would effect a change in the majority ownership or control of the voting stock of the institution - This is a proactive measure that would empower the BSP to prevent the entry of undesirable persons into the supervised institution. This is very important because failure of institutions is usually caused by the actions of controlling stockholders.
3. The authority of the Monetary Board to prescribe guidelines for the examination of supervised authorities - This proposal will result in more effective supervision since the resources and manpower of the BSP can be properly allocated and the examination of problem institutions can be prioritized.
4. The authority of the Monetary Board to direct existing stockholders to infuse additional capital or in case of their inability or refusal, to direct them to accept new investors or merge or consolidate with a qualified financial institution - This is also a proactive measure that could prevent failures of supervised institutions.
5. Prescribing additional and transparent grounds for bank closure announcement of unilateral closure, suspension of payment of deposit substitutes, or inability to pay liabilities as they become due - These proposed additional grounds for closing a

bank will minimize losses on the part of the depositors and of public funds. This will even enable the PDIC to recover their payments of insured deposits.

6. Increase in penalties for violation of applicable laws and regulations - This is necessary because it has been observed in the past that banks opted to commit violations and just pay the penalty because the income from prohibited transactions was greater than the penalty. If not corrected, these practices would render useless some of BSP's monetary policies.
7. Indemnify BSP personnel for cost and expenses incurred by them in connection with any civil, administrative or criminal action, suit or proceedings - This will encourage BSP personnel, particularly the examiners, to discharge their duties and responsibilities properly without fear of retaliation.

The Bill also aims to enhance the ability of the BSP to provide policy directions in the areas of money, banking and credit through the following:

1. Grant of authority to the BSP to request data not only from government entities but also from any person.
2. Authority of the Monetary Board to require all supervised institutions including their subsidiaries and affiliates to maintain balanced currency position between their assets -and liabilities.

Approval of this Bill which is primarily aimed at providing better protection to the public, particularly the depositors and creditors of BSP's supervised institutions, is therefore earnestly sought.


EDGARDO J. ANGARA

SENATE

S.B. No. 54

RECEIVED BY



Introduced by SENATOR EDGARDO J. ANGARA

**AN ACT AMENDING REPUBLIC ACT NUMBERED SEVENTY-SIX
HUNDRED AND FIFTY-THREE ENTITLED "THE NEW CENTRAL
BANK ACT" AND FOR OTHER PURPOSES**

Be it enacted by the Senate and the House of Representatives of the Philippines in

Congress assembled:

1 **SECTION 1.** Section 2 of Republic Act No. 7653 is hereby amended to read as follows:

2

3 **"SECTION 2. *Creation of the Bangko Sentral.*** — There is hereby

4 established an independent central monetary authority, which shall be a body

5 corporate known as the Bangko Sentral ng Pilipinas, hereafter referred to as the

6 Bangko Sentral. The capital of the Bangko Sentral shall be Fifty billion pesos

7 (P50,000,000,000), to be fully subscribed by the Government of the Republic,

8 hereafter referred to as the Government, Ten billion pesos (P10,000,000,000) of

9 which shall be fully paid for by the Government upon the effectivity of this Act.

10 [and] T[t]he balance **SHALL** [to] be paid for **IMMEDIATELY UPON** [within a

11 period of two years from] the effectivity of this Act **THROUGH THE**

12 **ISSUANCE OF TRADABLE GOVERNMENT SECURITIES, OF**

13 **EQUIVALENT MARKET VALUE PROVIDED THAT ANY**

14 **GOVERNMENT SECURITIES ISSUED PURSUANT HERETO SHALL**

15 **BE DEEMED APPROPRIATED FOR THIS PURPOSE.** [in such manner and

16 form as the Government, through the Secretary of Finance and the Secretary of

17 Budget and Management, may thereafter determine.]”

18

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

3
4 "SECTION 3. *Responsibility and Primary Objective.* - The Bangko
5 Sentral shall provide policy directions in the areas of money, banking and credit.
6 It shall have supervision over the operations of banks and exercise such regulatory
7 powers as provided in this Act and other pertinent laws over the operations of
8 finance companies and non-bank financial institutions performing quasi-banking
9 functions, hereafter referred to as quasi-banks, **CREDIT CARD COMPANIES,**
10 **MONEY CHANGERS, E-MONEY ISSUERS, REMITTANCE AGENTS** and
11 institutions performing **OTHER** [similar] functions **REGULATED BY THE**
12 **BANGKO SENTRAL UNDER THIS ACT OR UNDER SPECIAL LAWS.**

13
14 "The primary objective of the Bangko Sentral is to maintain price stability
15 conducive to a balanced and sustainable growth of the economy. It shall also
16 promote and maintain **FINANCIAL** [monetary] stability and the convertibility of
17 the peso. **IT SHALL LIKEWISE PROMOTE, OVERSEE AND MAINTAIN**
18 **THE STABILITY OF THE PAYMENT AND SETTLEMENT SYSTEM OF**
19 **THE COUNTRY IN ACCORDANCE WITH SOUND AND PRUDENT**
20 **PRACTICES TOWARDS ACHIEVING THE END OF OVERALL**
21 **MONETARY AND FINANCIAL STABILITY, THE BANGKO SENTRAL**
22 **SHALL ISSUE AND ENFORCE APPROPRIATE REGULATIONS.**

23
24 SEC. 3. Section 11 of the same Act is hereby amended by inserting a new paragraph
25 between the third and the fourth paragraphs which shall read as follows:

26
27 "**THE MEETING OF THE MONETARY BOARD, AS REQUIRED**
28 **BY CIRCUMSTANCES, MAY BE CONDUCTED THROUGH THE USE**

1 **OF MODERN TECHNOLOGY INCLUDING, BUT NOT LIMITED TO,**
2 **TELE-CONFERENCING OR VIDEO-CONFERENCING.”**

3
4 The last paragraph of Section 11 of the same Act shall be amended to read as follows:

5
6 “The Bangko Sentral shall maintain and preserve a complete record of the
7 proceedings and deliberations of the Monetary Board, including the tapes and
8 transcripts of the stenographic notes, either in their original form or **OTHER**
9 **RECORDING MEDIA** [in microfilm].”

10
11 **SEC. 4.** Section 15 (Exercise of the Authority of the Monetary Board), paragraphs (b)
12 and (e), of the same Act is hereby amended to read as follows:

13
14 “(b) direct the management, operations, and administration of the Bangko
15 Sentral, reorganize its personnel, **AND IN CONNECTION THEREWITH**
16 **PROVIDE SEPARATION BENEFITS WHENEVER NECESSARY,** and
17 issue such rules and regulations as it may deem necessary or convenient for this
18 purpose. The legal units of the Bangko Sentral shall be under the exclusive
19 supervision and control of the Monetary Board;

20
21 “(e) indemnify its members and other **PERSONNEL** [officials] of the
22 Bangko Sentral, including personnel of the departments performing supervision
23 and examination functions against all costs and expenses reasonably incurred by
24 such persons in connection with any civil or criminal action, suit or proceedings
25 to which he may be, or is, made a party by reason of the performance of his
26 functions or duties, unless he is finally adjudged in such action or proceeding to
27 be liable for **BAD FAITH, MALICE, GROSS** negligence or **GROSS**
28 misconduct.

29

1 In the event of a settlement or compromise, indemnification shall be
2 provided only in connection with such matters covered by the settlement as to
3 which the Bangko Sentral is advised by external counsel that the person to be
4 indemnified [did not commit any] **HAD NOT ACTED WITH BAD FAITH,**
5 **MALICE, GROSS** negligence or **GROSS** misconduct.

6
7 The costs and expenses incurred in defending the aforementioned
8 action, suit or proceeding may be paid by the Bangko Sentral in advance of the
9 final disposition of such action, suit or proceeding upon receipt of an undertaking
10 by or on behalf of the member [, officer, or employee] **AND OTHER**
11 **PERSONNEL** to repay the amount advanced should it ultimately be
12 determined by the Monetary Board that he is not entitled to be indemnified as
13 provided in this subsection **ON ACCOUNT OF BAD FAITH, MALICE,**
14 **GROSS NEGLIGENCE OR GROSS MISCONDUCT.**

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

17
18 "**SECTION 16. *Responsibility.* - THE GENERAL RULE AND THE**
19 **EXCEPTION THEREFROM ON THE LIABILITY OF PUBLIC**
20 **OFFICERS AS PROVIDED IN SECTIONS 38 AND 39 OF CHAPTER 9,**
21 **BOOK I OF THE REVISED ADMINISTRATIVE CODE OF 1987 SHALL**
22 **APPLY TO M**[m]embers of the Monetary Board [officials, examiners, and
23 employees] **AND OTHER PERSONNEL** of the Bangko Sentral [who
24 willfully violate this Act or who are guilty of negligence, abuses or acts of
25 malfeasance or misfeasance or fail to exercise extraordinary diligence in the
26 performance of his duties shall be held liable for any loss or injury suffered by
27 the Bangko Sentral or other banking institutions as a result of such violation,
28 negligence, abuse, malfeasance, misfeasance or failure to exercise extraordinary
29 diligence].

1 x x x

2 “THE FOREGOING NOTWITHSTANDING, UNLESS THE
3 ACTION OF THE MEMBERS OF THE MONETARY BOARD OR ANY
4 PERSONNEL OF THE BANGKO SENTRAL IS FOUND TO BE IN
5 WILLFUL VIOLATION OF THIS ACT OR PERFORMED IN BAD
6 FAITH, WITH MALICE AND/OR GROSS NEGLIGENCE, THE
7 MEMBERS OF THE MONETARY BOARD AND THE PERSONNEL OF
8 THE BANGKO SENTRAL SHALL BE HELD FREE AND HARMLESS TO
9 THE FULL EXTENT PERMITTED BY LAW FROM ANY LIABILITY
10 AND SHALL BE INDEMNIFIED FOR ANY AND ALL LIABILITIES,
11 CLAIMS, DEMANDS, DAMAGES, DEFICIENCIES, COSTS AND
12 EXPENSES OF WHATSOEVER KIND AND NATURE THAT MAY
13 ARISE IN CONNECTION WITH THE PERFORMANCE OF THEIR
14 FUNCTIONS.”

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

18
19 “SECTION 21. *Deputy Governors.* - The Governor of the Bangko
20 Sentral, with the approval of the Monetary Board, shall appoint not more than
21 [three (3)] **FIVE (5)** Deputy Governors who shall perform duties as may be
22 assigned to them by the Governor and the Board.”

23
24 SEC. 7. The first paragraph of Section 23 of the same Act is hereby amended to read as
25 follows:

26 “SECTION 23. *Authority to Obtain Data and Information.*- The
27 Bangko Sentral shall have the authority to **REQUIRE** [request] from **ANY**
28 **PERSON OR ENTITY, INCLUDING** government offices and
29 instrumentalities, or government-owned or controlled corporations, any data

1 **PERTAINING TO THE** [which it may require for the proper discharge of its]
2 functions and representatives **OF THE BANGKO SENTRAL**. The Bangko
3 Sentral through the Governor or in his absence, a duly authorized representative
4 shall have the power to issue a *subpoena* for the production of the books and
5 records for the aforesaid purpose. Those who refuse the *subpoena* without
6 justifiable cause, or who refuse to supply the **BANGKO SENTRAL** [bank]
7 with data [requested or] required, shall be subject to punishment for contempt
8 **AND SHALL BE SUBJECT TO A FINE** in accordance with the provisions of
9 the Rules of Court.”

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

19
20 **SEC. 8.** Section 25 of the same Act is hereby amended to read as follows:

21
22 “**SECTION 25. Supervision and Examination.** - The Bangko Sentral
23 shall have supervision over, and conduct **REGULAR** [periodic] or special
24 examination[s] of [,] banking institutions, and quasi-banks, including their
25 subsidiaries and affiliates engaged in allied activities. **THE BANGKO**
26 **SENTRAL SHALL HAVE THE POWER TO REGULATE AND EXAMINE**
27 **TRANSACTIONS BETWEEN THE SUPERVISED INSTITUTIONS AND**
28 **THEIR PARENT OR OTHER AFFILIATE COMPANIES.**

1 “TRANSFERS OR ACQUISITIONS OR A SERIES THEREOF OF
2 SHARES OF STOCK IN BANKS OR QUASI-BANKS SUFFICIENT TO
3 ELECT AT LEAST ONE SEAT IN THE BOARD OF DIRECTORS OR
4 TO EFFECT A CHANGE IN THE MAJORITY OWNERSHIP OR
5 CONTROL OF THESE INSTITUTIONS, SHALL REQUIRE THE PRIOR
6 APPROVAL BY THE BANGKO SENTRAL. THE SELLING OR
7 CONVEYING STOCKHOLDER SHALL SUBMIT SUCH TRANSFER OR
8 ACQUISITION FOR APPROVAL BY THE BANGKO SENTRAL WITHIN
9 SUCH PERIOD AS MAY BE PRESCRIBED BY THE MONETARY
10 BOARD. IN APPROVING SAID TRANSFERS OR ACQUISITIONS,
11 REGARD SHALL BE GIVEN BY THE BANGKO SENTRAL TO THE
12 FITNESS OF THE INCOMING STOCKHOLDERS AS MAY BE
13 INDICATED BY THEIR REPUTATION AND FINANCIAL CAPACITY.

14
15 “PRIOR TO BANGKO SENTRAL APPROVAL, NO SUCH
16 TRANSFER OR ACQUISITION SHALL BE RECOGNIZED IN THE
17 BOOKS OF THE INSTITUTION NOR BY ANY GOVERNMENT
18 AGENCY AND THE TRANSFEROR-STOCKHOLDERS, SHALL
19 REMAIN ACCOUNTABLE AND RESPONSIBLE THEREFOR.
20 MOREOVER, TRANSFER OF ACTUAL CONTROL OR MANAGEMENT
21 OF THE INSTITUTION TO THE NEW STOCKHOLDERS OR THEIR
22 REPRESENTATIVES PRIOR TO BANGKO SENTRAL APPROVAL
23 SHALL MAKE THE TRANSFEROR, THE TRANSFEREE AND ANY
24 PERSON RESPONSIBLE THEREFOR LIABLE UNDER SECTIONS 36
25 AND 37 OF THIS ACT. NOTWITHSTANDNIG ANY PROVISION OF
26 LAW TO THE CONTRARY, THE BANGKO SENTRAL SHALL SHARE
27 WITH THE PHILIPPINE DEPOSIT INSURANCE CORPORATION ANY
28 INFORMATION THAT BANGKO SENTRAL MAY OBTAIN

1 **PERTAINING TO TRANSFER OR ACQUISITION OF SHARES OR**
2 **SERIES OF TRANSFERS OR ACQUISITIONS OF SHARES IN BANKS.**

3
4 For purposes of this section, a subsidiary means a corporation more than
5 fifty percent (50%) of the voting stock of which is owned **DIRECTLY OR**
6 **INDIRECTLY** by a bank or quasi-bank and an affiliate means a corporation
7 the voting stock of which, to the extent of fifty percent (50%) or less, is
8 owned by a bank, quasi-bank or which is related or linked to such institution or
9 intermediary through common stockholders or such other factors as may be
10 determined by the Monetary Board. **A PARENT COMPANY MEANS A**
11 **CORPORATION WHICH OWNS DIRECTLY OR INDIRECTLY**
12 **VOTING STOCK OF A SUPERVISED INSTITUTION SUFFICIENT TO**
13 **CONTROL ITS MANAGEMENT AND OPERATIONS.**

14
15 **CONTROL EXISTS WHEN THE PARENT OWNS DIRECTLY**
16 **OR INDIRECTLY MORE THAN ONE HALF OF THE VOTING**
17 **STOCK OF AN ENTERPRISE. CONTROL MAY ALSO EXIST EVEN**
18 **WHEN THE PARENT OWNS ONE HALF OR LESS OF THE VOTING**
19 **STOCK OF AN ENTERPRISE WHEN THERE IS:**

20
21 **(A) POWER OVER MORE THAN ONE HALF OF THE VOTING**
22 **RIGHTS BY VIRTUE OF AN AGREEMENT WITH OTHER**
23 **INVESTORS; OR**

24
25 **(B) POWER TO GOVERN THE FINANCIAL AND OPERATING**
26 **POLICIES OF THE ENTERPRISE UNDER A STATUTE OR AN**
27 **AGREEMENT; OR**

28

1 **(C) POWER TO APPOINT OR REMOVE THE MAJORITY OF**
2 **THE MEMBERS OF THE BOARD OF DIRECTORS; OR**

3
4 **(D) POWER TO CAST THE MAJORITY OF VOTES AT**
5 **MEETINGS OF THE BOARD OF DIRECTORS; OR**

6
7 **(E) OTHER ARRANGEMENTS SIMILAR TO ANY OF THE**
8 **ABOVE.**

9
10 The department heads and the examiners of the supervising and/or
11 examining departments are hereby authorized to administer oaths to any
12 director, officer, or employee of any institution under their respective
13 supervision or subject to their examination and to compel the presentation of
14 all books, documents, papers or records necessary in their judgment to ascertain
15 the facts relative to the true condition of any institution as well as the books and
16 records of persons and entities relative to or in connection with the
17 operations, activities or transactions of the institution under examination.
18 **THE BANGKO SENTRAL AND THE PHILIPPINE DEPOSIT**
19 **INSURANCE CORPORATION ARE FURTHER HEREBY AUTHORIZED**
20 **TO EXAMINE DEPOSIT AND INVESTMENT ACCOUNTS,**
21 **NOTWITHSTANDING** [, subject to the provision of] existing laws
22 protecting or safeguarding the secrecy or confidentiality of bank deposits as
23 well as investments of private persons, natural or juridical, in debt
24 instruments issued by the Government.

25
26 [No restraining order or injunction shall be issued by the court
27 enjoining the Bangko Sentral from examining any institution subject to
28 supervision or examination by the Bangko Sentral, unless there is
29 convincing proof that the action of the Bangko Sentral is plainly arbitrary

1 and made in bad faith and the petitioner or plaintiff files with the clerk or
2 judge of court in which the action is pending a bond executed in favor of the
3 Bangko Sentral, in an amount to be fixed by the court. The provisions of Rule
4 58 of the New Rules of Court insofar as they are applicable and not
5 inconsistent with the provisions of this section shall govern the issuance and
6 dissolution of the restraining order or injunction contemplated in this Section.]

7
8 **SECTION 9.** Section 28 of the same Act is hereby amended to read as follows:

9
10 **"SECTION 28. Examination and Fees.** - The supervising and examining
11 department head, personally or by deputy, shall examine the **OPERATIONS**
12 [books] of every [banking institution] **BANK AND QUASI-BANK,**
13 **INCLUDING THEIR SUBSIDIARIES AND AFFILIATES ENGAGED IN**
14 **ALLIED ACTIVITIES AND OTHER FINANCIAL INSTITUTIONS**
15 **WHICH UNDER THIS ACT OR SPECIAL LAWS ARE SUBJECT TO**
16 **BANGKO SENTRAL SUPERVISION, IN ACCORDANCE WITH THE**
17 **GUIDELINES SET BY THE MONETARY BOARD TAKING INTO**
18 **CONSIDERATION SOUND AND PRUDENT PRACTICES:** [once in every
19 twelve (12) months, and at such other times as the Monetary Board by an
20 affirmative vote of five (5) members, may deem expedient and to make a
21 report on the same to the Monetary Board:] Provided, That there shall be an
22 interval of at least twelve (12) months between **REGULAR** [annual]
23 examinations: **PROVIDED, FURTHER, THAT THE MONETARY BOARD**
24 **BY AN AFFIRMATIVE VOTE OF AT LEAST FIVE (5) MEMBERS MAY**
25 **AUTHORIZE A SPECIAL EXAMINATION IF THE CIRCUMSTANCES**
26 **WARRANT.**

27
28 The [bank] **INSTITUTION** concerned shall afford to the head of the
29 appropriate supervising and examining departments and to his authorized

1 deputies full opportunity to examine its books **AND RECORDS**, cash and
 2 available assets and general condition at any time during [banking] BUSINESS
 3 hours when requested to do so by the Bangko Sentral: *Provided, however*, That
 4 none of the reports and other papers relative to such examinations shall be
 5 open to inspection by the public except insofar as such publicity is
 6 incidental to the proceedings hereinafter authorized or is necessary for the
 7 prosecution of violations in connection with the business of such institutions.

8
 9 **SUPERVISED INSTITUTIONS** [Banking and quasi-banking
 10 institutions which are subject to examination by the Bangko Sentral] shall pay to
 11 the Bangko Sentral, within the first thirty (30) days of each year, an annual
 12 **SUPERVISION** fee in an amount equal to a percentage as may be prescribed by
 13 the Monetary Board [of] **BASED ON** its [average] total assets **AS OF THE**
 14 **END OF** [during] the preceding year [as shown on its end-of-month balance
 15 sheets, after deducting cash on hand and amounts due from banks, including the
 16 Bangko Sentral and banks abroad]."

17
 18 **SEC. 10. A NEW SECTION ENTITLED SECTION 28-A OF THE SAME ACT**
 19 **SHALL BE INSERTED BETWEEN SECTIONS 28 AND 29 WHICH SHALL READ AS**
 20 **FOLLOWS:**

21
 22 **"SECTION 28-A. BSP COORDINATION. – THE SUSPENSION OR**
 23 **REVOCAION OF ANY GOVERNMENT LICENSE NECESSARY FOR**
 24 **THE OPERATION OF A BSP-SUPERVISED ENTITY MUST BE DONE**
 25 **ONLY WITH PRIOR CONFORMITY FROM BANGKO SENTRAL."**

26
 27 **SEC. 11. Section 30 of the same Act is hereby amended to read as follows:**
 28

1 “SECTION 30. *Proceedings in Receivership and Liquidation.-*

2 Whenever, upon report of the head of the supervising [or] AND examining
3 department, the Monetary Board finds that a bank, or quasi-bank:

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

13
14 (b) has insufficient realizable assets **TO MEET ITS LIABILITIES**,
15 as determined by the Bangko Sentral **IN ACCORDANCE WITH THE**
16 **BANKING REGULATIONS** [to meet its liabilities]; or

17
18 (c) cannot continue in business without involving probable losses to its
19 depositors or creditors; or

20
21 (d) **HAS REFUSED TO PERMIT ANY LAWFUL EXAMINATION**
22 **INTO THE AFFAIRS OF SUCH INSTITUTION; OR**

23
24 (E) has willfully violated a cease and desist order under Section 37 that
25 has become final, involving acts or transactions which amount to fraud or a
26 dissipation of the assets of the institution; in which cases, the Monetary Board
27 may summarily and without need for prior hearing forbid the institution from
28 doing business in the Philippines and **IN CASE IT IS A BANK**, designate the
29 Philippine Deposit Insurance Corporation (**PDIC**) as receiver of the banking

1 institution. **THE MONETARY BOARD SHALL NOTIFY IN WRITING**
2 **THE BOARD OF DIRECTORS OF ITS FINDINGS AND DIRECT THE**
3 **PDIC TO PROCEED WITH THE LIQUIDATION OF THE CLOSED**
4 **BANKING INSTITUTION PURSUANT TO PARAGRAPH 6 OF THIS**
5 **SECTION.**

6
7 For a quasi-bank, any person of recognized competence in banking or
8 finance may be designated as receiver.

9
10 **THE AUTHORITY OF THE MONETARY BOARD TO PLACE A**
11 **BANK OR QUASI-BANK UNDER RECEIVERSHIP AS PROVIDED**
12 **ABOVE MAY ALSO BE EXERCISED OVER OTHER NON-BANK**
13 **FINANCIAL INSTITUTIONS WHICH ARE UNDER THIS ACT OR**
14 **SPECIAL LAWS ARE SUBJECT TO BANGKO SENTRAL**
15 **SUPERVISION, BASED ON THE SAME APPLICABLE GROUNDS. FOR**
16 **THIS PURPOSE, ANY PERSON OF RECOGNIZED COMPETENCE IN**
17 **BANKING, CREDIT AND FINANCE MAY BE DESIGNATED AS A**
18 **RECEIVER.**

19
20 The receiver shall immediately gather and take charge of all the assets and
21 liabilities of the institution, administer the same for the benefit of its creditors, and
22 exercise the general powers of a receiver under **EXISTING LAWS AND** the
23 Revised Rules of Court. [but shall not, with the exception of] **THE RECEIVER**
24 **SHALL ADDITIONALLY HAVE THE AUTHORITY TO: (1) PAY**
25 **administrative expenditures, [pay or commit any act that will involve the transfer**
26 **or disposition of any asset of the institution: *Provided*, That the receiver may]**
27 **AND (2) deposit or place the funds of the institution in non-speculative**
28 **investments; OR (3) ADOPT, IF APPROPRIATE, BRIDGE BANKING AS A**
29 **RESOLUTION METHOD, AS GOVERNED BY SECTION 30-B OF THIS**

1 **ACT. HOWEVER, THE RECEIVER OF QUASI-BANKS AND OTHER**
2 **NON-BANK FINANCIAL INSTITUTIONS CANNOT PAY OR COMMIT**
3 **ANY ACT THAT WILL INVOLVE THE TRANSFER OR DISPOSITION**
4 **OF ANY ASSET OF THE INSTITUTION.** The receiver **OF QUASI-**
5 **BANKS AND NON-BANK FINANCIAL INSTITUTIONS** shall determine as
6 soon as possible, but not later than ninety (90) days from take-over, whether
7 **SUCH** [the] institution may be rehabilitated or otherwise placed in such a
8 condition so that it may be permitted to resume business with safety to its
9 [depositors and] creditors and the general public: *Provided*, That any
10 determination for the resumption of business of the institution shall be subject to
11 prior approval of the Monetary Board.

12
13 **IN ORDER TO REHABILITATE THE CLOSED INSTITUTION**
14 **OR TO RESTORE ITS OPERATIONS WITH SAFETY TO ITS**
15 **CREDITORS AND THE GENERAL PUBLIC OR TO MERGE OR**
16 **CONSOLIDATE THE CLOSED INSTITUTION WITH ANOTHER**
17 **QUALIFIED INSTITUTION, THE RECEIVER OF QUASI-BANKS AND**
18 **OTHER NON-BANK FINANCIAL INSTITUTIONS MAY**
19 **IMMEDIATELY TRANSFER OR DISPOSE OF ANY OR ALL OF THE**
20 **ASSETS OF THE CLOSED INSTITUTION AND PERFORM SUCH**
21 **OTHER ACTS AS MAY BE AUTHORIZED BY LAW.**

22
23 If the receiver **OF QUASI-BANKS AND OTHER NON-BANK**
24 **FINANCIAL INSTITUTIONS** determines that the institution cannot be
25 rehabilitated or permitted to resume business in accordance with [the next
26 preceding paragraph] **THIS SECTION**, the Monetary Board shall notify in
27 writing the board of directors of its findings and direct the receiver to proceed
28 with the liquidation of the institutions. The receiver shall:
29

1 (1) file *ex parte* with the proper regional trial court, and without
2 requirement of prior notice or any other action, a petition for assistance in the
3 liquidation of the institution pursuant to a liquidation plan adopted by the
4 Philippine Deposit Insurance Corporation for general application to all closed
5 banks. In case of quasi-banks, the liquidation plan shall be adopted by the
6 Monetary Board. Upon acquiring jurisdiction, the court shall, upon motion by the
7 receiver after due notice, adjudicate disputed claims against the institution, assist
8 the enforcement of individual liabilities of the stockholders, directors and officers,
9 and decide on other issues as may be material to implement the liquidation plan
10 adopted. The receiver shall pay the cost of the proceedings from the assets of the
11 institution.

12
13 (2) convert the assets of the institution to money, dispose of the same to
14 creditors and other parties, for the purpose of paying the debts of such
15 institution in accordance with the rules on concurrence and preference of
16 credit under the Civil Code of the Philippines and he may, in the name of the
17 institution, and with the assistance of counsel as he may retain, institute such
18 actions as may be necessary to collect and recover accounts and assets of, or
19 defend any action against the institution. The assets of an institution under
20 receivership or liquidation shall be deemed in *custodia legis* in the hands of the
21 receiver and shall, from the moment the institution was placed under such
22 receivership or liquidation, be exempt from any order of garnishment, levy,
23 attachment, or execution.

24
25 The actions of the Monetary Board taken under this section or under
26 Section 29 of this Act shall be final and executory, and may not be restrained
27 or set aside by the court except on petition for *certiorari* on the ground **AND**
28 **UPON A FINDING AFTER DUE HEARING** that the action taken was in
29 excess of jurisdiction or with such grave abuse of discretion as to amount to lack

1 or excess of jurisdiction. The petition for *certiorari* may only be filed by the
 2 stockholders of record representing the majority of the capital stock within ten
 3 (10) days from receipt by the board of directors of the institution of the order
 4 directing receivership, liquidation or conservatorship.

5
 6 The designation of a conservator under Section 29 of this Act or the
 7 appointment of a receiver under this section shall be vested exclusively with the
 8 Monetary Board. Furthermore, the designation of a conservator is not a
 9 precondition to the designation of receiver.”

10
 11 **SEC. 12.** New sections entitled Section 30-A and Section 30-B of the same Act shall be
 12 inserted between Sections 30 and 31 which shall read as follows:

13
 14 **"SECTION 30-A. QUICK RESOLUTION ACTION. – WHENEVER**
 15 **UPON THE REPORT OF THE HEAD OF THE SUPERVISING AND**
 16 **EXAMINING DEPARTMENT, THE MONETARY BOARD FINDS A**
 17 **BANK OR QUASI-BANK OR OTHER SUPERVISED FINANCIAL**
 18 **INSTITUTION HAS INSUFFICIENT REALIZABLE ASSETS TO MEET**
 19 **ITS LIABILITIES, THE MONETARY BOARD SHALL HAVE THE**
 20 **AUTHORITY TO DIRECT THE EXISTING STOCKHOLDERS OF SAID**
 21 **BANK OR QUASI-BANK OR SUPERVISED FINANCIAL INSTITUTION**
 22 **TO INFUSE CAPITAL WITHIN A PERIOD NOT EXCEEDING**
 23 **NINETY (90) DAYS FROM THE DATE OF DIRECTIVE IN SUCH**
 24 **AMOUNT AS MAY BE NECESSARY TO RESTORE THE ENTITY'S**
 25 **CAPITAL TO THE MINIMUM REQUIRED AMOUNT OR RATIO. IN**
 26 **CASE OF INABILITY OR UNWILLINGNESS OF THE**
 27 **STOCKHOLDERS TO INFUSE THE REQUIRED AMOUNT OF**
 28 **ADDITIONAL CAPITAL WITHIN THE PRESCRIBED PERIOD, THE**
 29 **MONETARY BOARD MAY ORDER A QUASI-REORGANIZATION OF**

1 SAID ENTITY TO REFLECT THE FAIR VALUE OF ITS CAPITAL
2 AND/OR DIRECT SAID ENTITY TO ACCEPT INVESTMENTS FROM
3 QUALIFIED INVESTORS OR TO MERGE OR CONSOLIDATE WITH
4 A QUALIFIED FINANCIAL INSTITUTION.”

5
6 “SECTION 30-B. *BRIDGE BANKING*. – THE PDIC MAY FORM,
7 ESTABLISH, ORGANIZE, AND OPERATE AND/OR CONTRACT TO
8 OPERATE SUBSIDIARIES OR CORPORATIONS WHOSE PRIMARY
9 PURPOSE IS TO OPERATE AS A BRIDGE BANK AND/OR MANAGE
10 ACQUIRED ASSETS OF THE PDIC.

11
12 (1) A BRIDGE BANK REFERS TO A TEMPORARY BANK
13 LICENSED BY THE BANGKO SENTRAL NG PILIPINAS (BSP),
14 ESTABLISHED AND OPERATED TO ACQUIRE ASSETS AND ASSUME
15 LIABILITIES OF A FAILED BANK TO FACILITATE ITS
16 RESOLUTION. THE BRIDGE BANK SHALL:

17
18 (A) HAVE AUTHORITY TO PURCHASE ASSETS, ASSUME
19 DEPOSITS AND OTHER LIABILITIES WHICH THE PDIC MAY
20 DETERMINE TO BE APPROPRIATE; AND

21
22 (B) PERFORM SUCH BANKING FUNCTIONS AS THE
23 MONETARY BOARD MAY AUTHORIZE, CONSISTENT WITH THE
24 OBJECTIVES OF THIS SECTION.

25
26 (2) A BRIDGE BANK RESOLUTION MEASURE MAY BE
27 ADOPTED ONLY IF THE PDIC DETERMINES THAT—
28

1 (A) IT IS A COST-EFFECTIVE AND VIABLE RESOLUTION
2 MEASURE AND THE AMOUNT NECESSARY TO IMPLEMENT SUCH
3 MEASURE IS LESS THAN THE ESTIMATED INSURED DEPOSITS OF
4 THE FAILED BANK; AND

5
6 (B) THE PRESERVATION OF CRITICAL BANKING
7 FUNCTIONS IS IN THE BEST INTEREST OF THE DEPOSITORS AND
8 THE PUBLIC.

9
10 (3) FOR THE EFFECTIVE IMPLEMENTATION OF A BRIDGE
11 BANK RESOLUTION MEASURE, THE PDIC MAY:

12
13 (A) SELL, ASSIGN, TRANSFER, OR CONVEY ITS
14 SHAREHOLDINGS IN ITS SUBSIDIARY TO THE FAILED BANK;

15
16 (B) TRANSFER SUCH ASSETS AND DEPOSIT LIABILITIES OF
17 A FAILED BANK TO THE BRIDGE BANK, AS THE PDIC MAY DEEM
18 APPROPRIATE. ALL TRANSFERS UNDER THIS SUBSECTION
19 SHALL:

20
21 (1) NOT BE SUBJECT TO ANY TAXES, SUCH AS CAPITAL
22 GAINS TAX, AS WELL AS INCOME TAX, VALUE ADDED TAX AND
23 DOCUMENTARY STAMP TAX, AND OTHER TAXES, AS MAY BE
24 APPLICABLE;

25
26 (2) BE CONSIDERED *IN CUSTODIA LEGIS* IN THE HANDS OF
27 THE BRIDGE BANK. FROM THE TIME THE ASSETS ARE
28 TRANSFERRED TO A BRIDGE BANK, ITS ASSETS SHALL NOT BE
29 SUBJECT TO ATTACHMENT, EXECUTION, GARNISHMENT, LEVY,

1 FORECLOSURE OR ANY OTHER COURT PROCESSES. THEREFORE,
2 A JUDGE, OFFICER OF THE COURT OR ANY PERSON WHO SHALL
3 ISSUE, ORDER, PROCESS OR CAUSE THE ISSUANCE OR
4 IMPLEMENTATION OF THE WRIT OF GARNISHMENT, LEVY,
5 ATTACHMENT OR EXECUTION SHALL BE LIABLE UNDER
6 SECTION 21 OF REPUBLIC ACT NO. 3591, AS AMENDED.

7
8 (3) BE EFFECTIVE WITHOUT ANY CONSENT FROM THE
9 STOCKHOLDERS, CREDITORS, STAKEHOLDERS OF THE FAILED
10 BANK, NOTWITHSTANDING ANY PROVISION OF LAW TO THE
11 CONTRARY.

12
13 (C) MAKE ADVANCES TO THE BRIDGE BANK OR CLOSED
14 BANK, UPON SUCH TERMS AND CONDITIONS AND IN SUCH FORM
15 AND AMOUNTS AS THE PDIC MAY PRESCRIBE, SUFFICIENT
16 FUNDS FOR THE BRIDGE BANK TO OPERATE. THESE ADVANCES
17 SHALL PARTAKE OF THE NATURE OF PUBLIC FUNDS, AND AS
18 SUCH, MUST BE CONSIDERED A PREFERRED CREDIT SIMILAR TO
19 TAXES DUE TO THE NATIONAL GOVERNMENT IN THE ORDER OF
20 PREFERENCE UNDER ARTICLE 2224 OF THE NEW CIVIL CODE;

21
22 (D) CONDUCT DUE DILIGENCE ON AN INSURED BANK, AND
23 EXAMINE AND AUDIT THE DEPOSIT ACCOUNTS AND/OR
24 RECORDS, OF AN INSURED BANK, SO AS TO ESTABLISH A DEPOSIT
25 PROFILE OF THE BANK AS TO THE NUMBER OF DEPOSIT
26 ACCOUNTS AND TOTAL INSURED DEPOSITS: *PROVIDED*, THAT
27 THE INFORMATION ON INDIVIDUAL ACCOUNTS OBTAINED
28 THROUGH SUCH EXAMINATION OR AUDIT SHALL NOT BE
29 DISCLOSED OR RELEASED TO ANY OTHER PARTY EXCEPT TO

1 THE BOARD OF DIRECTORS OF PDIC OR UPON ORDER OF THE
2 COURT; AND

3
4 (E) APPOINT, INSTALL, DESIGNATE, AND/OR REMOVE THE
5 DIRECTORS AND OFFICERS OF A BRIDGE BANK AND FIX THEIR
6 COMPENSATION.

7
8 (4) THE 90-DAY PERIOD PROVIDED UNDER SECTION 30 OF
9 REPUBLIC ACT 7653, AS AMENDED, WITHIN WHICH THE
10 RECEIVER SHALL DETERMINE WHETHER THE INSTITUTION MAY
11 BE REHABILITATED SHALL NOT BE APPLICABLE.

12
13 (5) THE BRIDGE BANK SHALL TERMINATE AT THE END OF
14 TWO (2) YEARS FOLLOWING THE DATE IT WAS GRANTED A
15 BANKING LICENSE, SUBJECT TO THE PROVISIONS IN
16 PARAGRAPHS (6) AND (7); *PROVIDED, FURTHER*, THAT THE PDIC
17 MAY EXTEND THE STATUS OF THE BRIDGE BANK IF DEEMED
18 NECESSARY TO CONCLUDE PENDING NEGOTIATIONS FOR THE
19 SALE, MERGER OR ACQUISITION OF THE BRIDGE BANK BY A
20 BUYER OR ACQUIRER; *PROVIDED, FINALLY*, THAT THE MAXIMUM
21 EXTENSION SHALL BE ONE (1) YEAR.

22
23 (6) TERMINATION OF BRIDGE BANK.—THE STATUS OF ANY
24 BRIDGE BANK AS SUCH SHALL TERMINATE UPON THE EARLIEST
25 OF —

26
27 (A) THE MERGER OR CONSOLIDATION OF THE BRIDGE
28 BANK WITH ANOTHER BANK THAT IS NOT A BRIDGE BANK; OR
29

1 **(B) THE SALE OF THE BRIDGE BANK TO A QUALIFIED**
2 **BUYER, AS MAY BE DETERMINED BY THE PDIC; OR**

3
4 **(C) THE ASSUMPTION OF ALL OR SUBSTANTIALLY ALL OF**
5 **THE (1) DEPOSITS AND OTHER LIABILITIES AND/OR (2) ASSETS OF**
6 **THE BRIDGE BANK BY AN INSURED BANK THAT IS NOT A BRIDGE**
7 **BANK, OR OTHER ENTITY AS PERMITTED UNDER APPLICABLE**
8 **LAW. FOLLOWING THE ASSUMPTION OF ALL OR SUBSTANTIALLY**
9 **ALL OF THE LIABILITIES OF THE BRIDGE BANK AND THE SALE**
10 **OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF THE BRIDGE**
11 **BANK, THE BRIDGE BANK SHALL BE LIQUIDATED IN**
12 **ACCORDANCE WITH THE PROVISIONS OF LAW RELATING TO**
13 **THE LIQUIDATION OF CLOSED BANKS; AND**

14
15 **(D) THE EXPIRATION OF THE PERIOD PROVIDED IN**
16 **PARAGRAPH (5), OR THE EARLIER DISSOLUTION OF THE BRIDGE**
17 **BANK AS PROVIDED IN PARAGRAPH (7).**

18
19 **(7) DISSOLUTION OF BRIDGE BANK.—**

20
21 **(A) NOTWITHSTANDING ANY OTHER PROVISION OF LAW**
22 **TO THE CONTRARY, IF THE BRIDGE BANK'S STATUS AS SUCH HAS**
23 **NOT PREVIOUSLY BEEN TERMINATED BY THE OCCURRENCE OF**
24 **AN EVENT SPECIFIED IN SUBPARAGRAPHS (A), (B) OR (C), OF**
25 **PARAGRAPH (6), THE BOARD OF DIRECTORS OF PDIC MAY**
26 **DISSOLVE A BRIDGE BANK AT ANY TIME IT DEEMS NECESSARY.**

27
28 **(B) THE PDIC, AS SUCH RECEIVER, SHALL WIND UP THE**
29 **AFFAIRS OF THE BRIDGE BANK IN CONFORMITY WITH THE**

1 PROVISIONS OF LAW RELATING TO THE LIQUIDATION OF
2 CLOSED BANKS. WITH RESPECT TO ANY SUCH BRIDGE BANK,
3 THE PDIC, AS SUCH RECEIVER, SHALL HAVE ALL THE RIGHTS,
4 POWERS, AND PRIVILEGES, AND SHALL PERFORM THE DUTIES
5 RELATED TO THE EXERCISE OF SUCH RIGHTS, POWERS, OR
6 PRIVILEGES GRANTED BY LAW TO A RECEIVER OF ANY INSURED
7 BANK.

8
9 (8) MATTERS RELATING TO THE EXERCISE BY THE PDIC OF
10 THE FUNCTIONS UNDER THIS SECTION SHALL BE SUBJECT TO
11 VISITORIAL AUDIT ONLY.

12
13 (9) THE ACTIONS OF THE PDIC UNDER THIS SECTION SHALL
14 BE FINAL AND EXECUTORY, AND MAY NOT BE RESTRAINED OR
15 SET ASIDE BY THE COURT, EXCEPT ON PETITION FOR
16 CERTIORARI WITH THE COURT OF APPEALS ON THE GROUND
17 THAT THE ACTION WAS TAKEN IN EXCESS OF JURISDICTION OR
18 WITH SUCH GRAVE ABUSE OF DISCRETION AS TO AMOUNT TO A
19 LACK OR EXCESS OF JURISDICTION. THE PETITION FOR
20 *CERTIORARI* MAY ONLY BE FILED WITHIN TEN (10) DAYS FROM
21 PUBLICATION OF THE NOTICE ON THE ESTABLISHMENT OF A
22 BRIDGE BANK.

23
24 (10) THE PDIC SHALL PROMULGATE THE IMPLEMENTING
25 RULES AND REGULATIONS TO IMPLEMENT THE PROVISIONS OF
26 THIS SECTION.”

27
28 SEC. 13. Section 34 of the same Act is hereby amended to read as follows:
29

1 “SEC. 34. *REFUSAL TO MAKE REPORTS OR PERMIT*
 2 *EXAMINATION.* — Any officer, owner, agent, manager, director or officer-in-
 3 charge of any institution subject to the supervision or examination by the Bangko
 4 Sentral within the purview of this Act who, being required in writing by the
 5 Monetary Board or by the head of the supervising and examining department
 6 willfully refuses to file the required report or permit any lawful examination into
 7 the affairs of such institution shall be punished by a fine of not less than Fifty
 8 thousand pesos (P50,000) nor more than **TWO MILLION PESOS (P2,000,000)**
 9 [One hundred thousand pesos (P100,000)] or by imprisonment of not less than
 10 one (1) year nor more than five (5) years, or both, in the discretion of the court.”

11
 12 **SEC. 14.** Section 35 of the same Act is hereby amended to read as follows:

13
 14 “**SECTION 35. *False Statement.*** — The willful making of a false or
 15 misleading statement on a material fact to the Monetary Board or to the examiners
 16 of the Bangko Sentral shall be punished by a fine of not less than One hundred
 17 thousand pesos (P100,000) nor more than **TWO MILLION PESOS**
 18 **(P2,000,000)** [Two hundred thousand pesos (P200,000)], or by imprisonment of
 19 not more than (5) years, or both, at the discretion of the court.”

20
 21 **SEC. 15.** Section 36 of the same Act is hereby amended to read as follows:

22
 23 “**SECTION 36. *Proceedings Upon Violation of This Act and Other***
 24 ***Banking Laws, Rules, Regulations, Orders or Instructions.***- Whenever a bank,
 25 [or] quasi-bank, **OR OTHER FINANCIAL INSTITUTION WHICH UNDER**
 26 **THIS ACT OR SPECIAL LAWS IS SUBJECT TO BANGKO**
 27 **SENTRAL SUPERVISION** or whenever any person or entity willfully
 28 violates this Act or other pertinent banking laws being enforced or
 29 implemented by the Bangko Sentral or any order, instruction, rule or regulation

1 issued by the Monetary Board, the person or persons responsible for such
2 violation shall unless otherwise provided in this Act be punished by a fine of not
3 less than Fifty thousand pesos (P50,000) nor more than **TWO MILLION**
4 **PESOS (P2,000,000)** [Two hundred thousand pesos (P200,000)] or by
5 imprisonment of not less than two (2) years nor more than ten (10) years, or both,
6 at the discretion of the court.

7
8 Whenever **AN ENTITY UNDER BANGKO SENTRAL**
9 **SUPERVISION** [a bank or quasi-bank] persists in carrying on its business in an
10 unlawful or unsafe manner, the Board may, without prejudice to the penalties
11 provided in the preceding paragraph of this section and the administrative
12 sanctions provided in Section 37 of this Act, take action under Section 30 of this
13 Act.”

14
15 **SEC. 16.** Section 37 of the same Act is hereby amended to read as follows:

16
17 **"SECTION 37. *Administrative Sanctions [on Banks and Quasi-Banks].***
18 - Without prejudice to the criminal sanctions against the culpable persons
19 provided in Sections 34, 35, and 36 of this Act, the Monetary Board
20 may, at its discretion, impose **ADMINISTRATIVE SANCTIONS** upon any
21 bank or quasi-bank, **INCLUDING THEIR SUBSIDIARIES AND**
22 **AFFILIATES ENGAGED IN ALLIED ACTIVITIES, OR OTHER**
23 **INSTITUTIONS WHICH UNDER THIS ACT OR SPECIAL LAWS ARE**
24 **SUBJECT TO THE BANGKO SENTRAL SUPERVISION, AND/OR**
25 their directors, **EMPLOYEES, STOCKHOLDERS AND/OR MEMBERS**
26 [and/or officers], for any willful violation of its charter or by-laws, willful delay
27 in the submission of reports or publications thereof as required by law, rules
28 and regulations; any refusal to permit examination into the affairs of the
29 institution; any willful making of a false or misleading statement to the

1 MONETARY Board or the appropriate supervising and examining department
2 or its examiners; any willful failure or refusal to comply with, or violation of, any
3 banking law or any order, instruction or regulation issued by the Monetary Board,
4 or any order, instruction or ruling by the Governor; or any commission of
5 irregularities, and/or conducting business in an unsafe or unsound manner as may
6 be determined by the Monetary Board. [.] T[h]e following administrative
7 sanctions **MAY BE IMPOSED** [whenever applicable]:
8

9 (a) fines in amounts as may be determined by the Monetary Board to be
10 appropriate, [but in no case to exceed Thirty thousand pesos (P30,000) a
11 day for each violation, taking into consideration the attendant circumstances,
12 such as the nature and gravity of the violation or irregularity and the size of the
13 bank or quasi-bank;] **IN ACCORDANCE WITH THE IMPLEMENTING
14 REGULATIONS, BASED ON THE NATURE AND GRAVITY OF THE
15 OFFENSE AS WELL AS THE RELATIVE ASSET SIZE OF THE
16 INSTITUTION. THE MONETARY BOARD SHALL, BY REGULATION,
17 DEFINE SERIOUS OR GRAVE, LESS SERIOUS OR LESS GRAVE, AND
18 MINOR OFFENSES TAKING INTO CONSIDERATION THE
19 ATTENDANT AGGRAVATING AND MITIGATING CIRCUMSTANCES:
20 PROVIDED, THAT WITHOUT PREJUDICE TO THE IMPOSITION OF
21 APPLICABLE SANCTION TO THE INSTITUTION THAT COMMITTED
22 A SPECIFIC VIOLATION OR IRREGULARITY, THE MONETARY
23 BOARD MAY ALSO IMPOSE SANCTIONS ON ITS PARENT COMPANY
24 IF THERE IS EVIDENCE THAT SAID PARENT COMPANY ABETTED
25 THE COMMISSION OF THE VIOLATION OR IRREGULARITY OR DID
26 NOT EXERCISE REASONABLE MEANS TO PREVENT THE SAME**
27

28 (b) suspension of rediscounting privileges or access to Bangko Sentral
29 credit facilities;

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

(d) suspension of interbank clearing privileges; [and/or]

(e) **SUSPENSION OR** revocation of quasi-banking license;

(F) SUSPENSION OR REVOCATION OF TRUST LICENSE;

(G) PROHIBITION FROM DECLARING CASH DIVIDENDS;

(H) CONFISCATION BY AND FORFEITURE IN FAVOR OF THE BANGKO SENTRAL OF ANY AND ALL PROFITS, AS MAY BE DETERMINED BY THE MONETARY BOARD, ARISING FROM THE OFFENSE OR VIOLATION OF BANKING LAWS, RULES AND REGULATIONS; AND/OR

(I) OTHER SANCTIONS AS THE MONETARY BOARD MAY DEEM APPROPRIATE UNDER THE CIRCUMSTANCES.

THE DIRECTOR OR OFFICER RESPONSIBLE FOR THE VIOLATION MAY, AFTER DUE PROCESS, BE SUSPENDED, REMOVED OR DISQUALIFIED FROM HOLDING OFFICE, OR ANY POSITION, IN AN INSTITUTION UNDER THE SUPERVISION OF THE BANGKO SENTRAL, FOR A PERIOD TO BE DETERMINED BY THE MONETARY BOARD, TAKING INTO CONSIDERATION THE ATTENDANT CIRCUMSTANCES, SUCH AS THE NATURE AND GRAVITY OF THE ACT OR OMISSION.

1
2 Resignation or termination from office shall not exempt such director or
3 officer from administrative or criminal sanctions.
4

5 The Monetary Board may, whenever warranted by circumstances,
6 preventively suspend any director or officer of [a bank or quasi-bank] **THE**
7 **INSTITUTION** pending an investigation: *Provided*, That should the case be
8 not finally decided by the Bangko Sentral within a period of one hundred twenty
9 (120) days after the date of suspension, said director or officer shall be reinstated
10 in his position: *Provided further*, That when the delay in the disposition of the
11 case is due to the fault, negligence or petition of the director or officer, the
12 period of delay shall not be counted in computing the period of suspension herein
13 provided.
14

15 The above administrative sanctions need not be applied in the order of
16 their severity.
17

18 Whether or not there is an administrative proceeding, if the institution
19 and/or the directors and/or officers, **EMPLOYEES AND/OR**
20 **STOCKHOLDERS/MEMBERS** concerned continue with or otherwise persist
21 in the commission of the indicated practice or violation, the Monetary Board
22 may issue an order requiring the institution and/or the directors, **EMPLOYEES**
23 **AND/OR STOCKHOLDERS/MEMBERS** [and/or officers] concerned to cease
24 and desist from the indicated practice or violation, and may further order that
25 immediate action be taken to correct the conditions resulting from such practice
26 or violation. The cease and desist order shall be immediately effective upon
27 service on the respondents.
28

1 The respondents shall be afforded an opportunity to defend their action in
2 a hearing before the Monetary Board or any committee chaired by any
3 Monetary Board member created for the purpose, upon request made by the
4 respondents within five (5) days from their receipt of the order. If no such
5 hearing is requested within said period, the order shall be final. If a hearing is
6 conducted, all issues shall be determined on the basis of records, after which the
7 Monetary Board may either reconsider or make final its order.

8
9 The Governor is hereby authorized, at his discretion, to impose upon
10 [banking institutions,] **BANKS AND QUASI-BANKS, INCLUDING THEIR**
11 **SUBSIDIARIES AND AFFILIATES ENGAGED IN ALLIED**
12 **ACTIVITIES, AND OTHER FINANCIAL INSTITUTIONS WHICH**
13 **UNDER SPECIAL LAWS ARE SUBJECT TO BANGKO SENTRAL**
14 **SUPERVISION** for any failure to comply with the requirements of law,
15 Monetary Board regulations and policies, and/or instructions issued by the
16 Monetary Board or by the Governor, fines not in excess of **ONE HUNDRED**
17 **THOUSAND PESOS (P100,000) PER BANKING** [Ten thousand pesos
18 (P10,000) a] day for each violation, the imposition of which shall be final and
19 executory until reversed, modified or lifted by the Monetary Board on appeal.”

20
21 **SEC. 16.** A new section entitled Section 38-A of the same Act shall be inserted between
22 Sections 38 and 39 which shall be read as follows:

23
24 **“SECTION 38-A. ISSUANCE OF PROVISIONAL REMEDIES**
25 **AGAINST BANGKO SENTRAL ACTIONS. – NO COURT OF LOWER**
26 **LEVEL THAN THE COURT OF APPEALS SHALL ISSUE ANY**
27 **TEMPORARY RESTRAINING ORDER, PRELIMINARY INJUNCTION**
28 **OR PRELIMINARY MANDATORY INJUNCTION AGAINST THE**
29 **BANGKO SENTRAL FOR ANY ACTION UNDER THIS ACT.**

1
2 SUCH TEMPORARY RESTRAINING ORDER, PRELIMINARY
3 INJUNCTION OR PRELIMINARY MANDATORY INJUNCTION MAY BE
4 DISSOLVED OR STAYED UPON FILING OF A WRITTEN
5 UNDERTAKING BY THE BANGKO SENTRAL THAT IT WILL PAY
6 ALL DAMAGES WHICH THE PETITIONER MAY SUFFER FROM
7 THE STAY OF THE INJUNCTION SHOULD IT BE DECIDED IN A
8 FINAL JUDGMENT THAT THE PETITIONER IS ENTITLED TO HAVE
9 ACTS COMPLAINED OF PERMANENTLY ENJOINED.

10
11 ANY RESTRAINING ORDER OR INJUNCTION ISSUED IN
12 VIOLATION OF THIS SECTION IS VOID AND OF NO FORCE AND
13 EFFECT.

14
15 THE PROVISIONS OF RULE 58 OF THE 1997 RULES ON CIVIL
16 PROCEDURES IN SO FAR AS THEY ARE APPLICABLE AND NOT
17 INCONSISTENT WITH THE PROVISIONS OF THIS ACT SHALL
18 GOVERN THE ISSUANCE AND DISSOLUTION OF THE RESTRAINING
19 ORDER OR INJUNCTION AGAINST THE BANGKO SENTRAL.”

20
21 SEC. 17. Section 43 of the same Act is hereby amended to read as follows:

22
23 “SECTION 43. *Computation of Profits and Losses.* — Within the first
24 thirty (30) days following the end of each year, the Bangko Sentral shall
25 determine its net profits or losses. In the calculation of net profits, the Bangko
26 Sentral shall make adequate allowance or establish adequate reserves for bad and
27 doubtful accounts **AND OTHER ACCOUNTS AS DETERMINED BY THE**
28 **MONETARY BOARD TO BE NECESSARY FOR THE PRESERVATION**
29 **OF THE FINANCIAL SOUNDNESS OF THE BANGKO SENTRAL.”**

1 **SEC. 18.** Section 61 of the same Act is hereby amended to read as follows:

2
3 “**SECTION 61. GUIDING PRINCIPLE.** — The Monetary Board shall
4 [endeavor to control any expansion or contraction in monetary aggregates which
5 is prejudicial] **ASSESS PRICE DEVELOPMENTS AND OUTLOOK AND**
6 **ACCORDINGLY USE ITS POLICY INSTRUMENTS** to [the] attain[ment or
7 maintenance of] price stability.”

8
9 **SEC. 19.** Section 63 of the same Act is hereby amended to read as follows:

10
11 “**SECTION 63. ACTION WHEN ABNORMAL MOVEMENTS**
12 **OCCUR IN PRICE LEVEL.** — Whenever abnormal movements in prices
13 endanger the stability of the Philippine economy or important sectors thereof, the
14 Monetary Board shall:

15
16 (a) take such remedial measures as are appropriate and within the powers
17 granted to the Monetary Board and the Bangko Sentral under the provisions of
18 this Act; and

19
20 (b) submit to the President of the Philippines and the Congress, and make
21 public, a detailed report which shall include, as a minimum, a description and
22 analysis of:

23
24 (1) the causes of the rise or fall of [the monetary aggregates, of
25 credit or of] prices;

26
27 (2) the extent to which the changes in [the monetary aggregates, in
28 credit, or in] prices have been reflected in changes in the level of domestic

1 output, employment, wages and economic activity in general, and the
2 nature and significance of any such changes; and

3
4 (3) the measures which the Monetary Board has taken and the
5 other monetary, fiscal or administrative measures which it recommends to
6 be adopted.

7
8 Whenever the cost of living index increases by more than ten percent
9 (10%), in relation to the level existing at the end of the corresponding month of
10 the preceding year, or even though **THIS** quantitative guideline **HAS** not been
11 reached when in its judgment the circumstances so warrant, the Monetary Board
12 shall submit the reports mentioned in this Section, and shall state therein whether,
13 in the opinion of the Board, said changes in the cost of living represent a threat to
14 the stability of the Philippine economy or of important sectors thereof.

15
16 The Monetary Board shall continue to submit periodic reports to the
17 President of the Philippines and to Congress until it considers that the price
18 disturbances have disappeared or have been adequately controlled.”

19
20 **SEC. 20.** Section 77 of the same Act is hereby amended to read as follows:

21
22 “**SECTION 77. Requirement of Balanced Currency Position.-** The
23 Monetary Board may require [the] banks **AND QUASI-BANKS,**
24 **INCLUDING THEIR SUBSIDIARIES AND AFFILIATES ENGAGED IN**
25 **ALLIED ACTIVITIES,** to maintain a balanced position between their assets
26 and liabilities in Philippine pesos or in any other currency or currencies in
27 which they operate. **THEY** [The Banks] shall be granted a reasonable period of
28 time in which to adjust their currency positions to any such requirement.

29

1 The powers granted under this section shall be exercised only when
2 special circumstances make such action necessary, in the opinion of the
3 Monetary Board, and shall be applied to all banks **AND QUASI-BANKS,**
4 **INCLUDING THEIR SUBSIDIARIES AND AFFILIATES ENGAGED IN**
5 **ALLIED ACTIVITIES,** alike and without discrimination."

6
7 **SEC. 21.** Section 81 of the same Act is hereby amended to read as follows:

8
9 **"SECTION 81. GUIDING PRINCIPLES.** — The rediscounts, discounts,
10 loans and advances which the Bangko Sentral is authorized to extend to banking
11 institutions **AND OTHER SUPERVISED FINANCIAL INSTITUTIONS**
12 under the provisions of the present article of this Act shall be used to influence the
13 volume of credit consistent with the objective of price stability **AS WELL AS**
14 **FINANCIAL STABILITY."**

15
16 **SEC. 22.** Section 83 of the same Act is hereby amended to read as follows:

17
18 **"SECTION 83. Loans for Liquidity Purposes.** — The Bangko Sentral,
19 **BY A VOTE OF AT LEAST FIVE (5) MEMBERS OF THE MONETARY**
20 **BOARD,** may extend loans and advances to banking **AND OTHER**
21 **SYSTEMICALLY CRITICAL BSP-SUPERVISED** institutions for a period of
22 not more than **THIRTY (30)** [seven (7)] days without any collateral for the
23 purpose of providing liquidity to the banking system in times of need, **SUBJECT**
24 **TO SUCH TERMS AND CONDITIONS AS THE MONETARY BOARD**
25 **MAY PRESCRIBE TO MINIMIZE POSSIBLE LOSSES TO THE**
26 **BANGKO SENTRAL."**

27
28 **SEC. 23.** Section 84 of the same Act is hereby amended to read as follows:

1
2 **"SECTION 84. EMERGENCY LOANS AND ADVANCES.** — In
3 periods of national and/or local emergency or of imminent financial panic which
4 directly threaten monetary and **FINANCIAL** [banking] stability, the Monetary
5 Board may, by a vote of at least five (5) of its members, authorize the Bangko
6 Sentral to grant extraordinary loans or advances to banking **AND OTHER**
7 **SYSTEMICALLY CRITICAL BSP-SUPERVISED** institutions secured by
8 assets as defined hereunder: *Provided*, That while such loans or advances are
9 outstanding, the debtor institution shall not, except upon prior authorization by the
10 Monetary Board, expand the total volume of its loans or investments.

11
12 The Monetary Board may, at its discretion, likewise authorize the Bangko
13 Sentral to grant emergency loans or advances to banking institutions, even during
14 normal periods, for the purpose of assisting a bank in a precarious financial
15 condition or under serious financial pressures brought by unforeseen events, or
16 events which, though foreseeable, could not be prevented by the bank concerned:
17 *Provided, however*, That the Monetary Board has ascertained that the bank is not
18 insolvent and has the assets defined hereunder to secure the advances: *Provided*,
19 *further*. That a concurrent vote of at least five (5) members of the Monetary Board
20 is obtained.

21
22 The amount of any emergency loan or advance shall not exceed the sum of
23 fifty percent (50%) of total **BORROWINGS** [deposits and deposit substitutes] of
24 the [banking] institution and shall be disbursed in two (2) or more tranches. The
25 amount of the first tranche shall be limited to twenty-five percent (25%) of the
26 **BORROWINGS** [total deposit and deposit substitutes] of the institution and shall
27 be secured by government securities to the extent of their applicable loan values
28 and other unencumbered first class collaterals **AND ACCEPTABLE**
29 **GUARANTEES BACKED UP BY THE NATIONAL GOVERNMENT OR**

1 **ITS SECURITIES** which the Monetary Board may approve: *Provided*, That if as
 2 determined by the Monetary Board, the circumstances surrounding the emergency
 3 warrant a loan or advance greater than the amount provided hereinabove, the
 4 amount of the first tranche may exceed twenty-five percent (25%) of the
 5 **INSTITUTION'S** [bank's] total **BORROWINGS** [deposit and deposit
 6 substitutes] if the same is adequately secured by applicable loan values of
 7 government securities and unencumbered first class collaterals **OR**
 8 **ACCEPTABLE GUARANTEES BACKED UP BY THE NATIONAL**
 9 **GOVERNMENT OR ITS SECURITIES** approved by the Monetary Board, and
 10 the principal stockholders of the institution furnish an acceptable undertaking to
 11 indemnify and hold harmless from suit a conservator whose appointment the
 12 Monetary Board may find necessary at any time.

13
 14 Prior to the release of the first tranche, the institution shall submit to the
 15 Bangko Sentral a resolution of its board of directors authorizing the Bangko
 16 Sentral to evaluate other assets of the institution certified by its external auditor to
 17 be good and available for collateral purposes should the release of the subsequent
 18 tranche be thereafter applied for.

19
 20 The Monetary Board may, by a vote of at least five (5) of its members,
 21 authorize the release of a subsequent tranche on condition that the principal
 22 stockholders of the institution:

23
 24 (a) furnish an acceptable undertaking to indemnify and hold harmless from
 25 suit a conservator whose appointment the Monetary Board may find necessary at
 26 any time; and
 27

1 (b) provide acceptable security which, in the judgment of the Monetary
2 Board, would be adequate to supplement, where necessary, the assets tendered by
3 the [banking] institution to collateralize the subsequent tranche.
4

5 In connection with the exercise of these powers, the prohibitions in
6 Section 128 of this Act shall not apply insofar as it refers to acceptance as
7 collateral of shares and their acquisition as a result of foreclosure proceedings,
8 including the exercise of voting rights pertaining to said shares: *Provided,*
9 *however,* That should the Bangko Sentral acquire any of the shares it has accepted
10 as collateral as a result of foreclosure proceedings, the Bangko Sentral shall
11 dispose of said shares by public bidding within one (1) year from the date of
12 consolidation of title by the Bangko Sentral.
13

14 Whenever a financial institution incurs an overdraft in its account with the
15 Bangko Sentral, the same shall be eliminated within the period prescribed in
16 Section 102 of this Act.”
17

18 **SEC. 24.** Section 85 of the same Act is hereby amended to read as follows:
19

20 **“SECTION 85. INTEREST AND OTHER CHARGES ON BSP**
21 **CREDIT FACILITIES.** — The Bangko Sentral shall collect interest and other
22 appropriate charges on all loans and advances it extends, the closure, receivership
23 or liquidations of the debtor-institution notwithstanding.
24

25 The Monetary Board shall fix the interest and **OTHER CHARGES**
26 [rediscount rates] to be **IMPOSED** [charged] by the Bangko Sentral on its credit
27 operations **UNDER THIS ACT** in accordance with the character and term of the
28 operation [, but after due consideration of the Bangko Sentral’s portfolio, and the
29 general requirements of the national monetary policy]. Interest and **OTHER**

1 CHARGES [rediscount rates] shall be applied **CONSISTENTLY** to all
2 **INSTITUTIONS AS MAY BE DEFINED BY THE MONETARY BOARD**
3 [banks of the same category uniformly and without discrimination].”
4

5 **SEC. 25.** A new section entitled Section 88-A of the same Act shall be inserted between
6 Sections 88 and 89 which shall read as follows:
7

8 “**SECTION 88-A. EXEMPTION FROM ATTACHMENT. THE**
9 **PROVISIONS OF ANY LAW TO THE CONTRARY**
10 **NOTWITHSTANDING AND SECTION 31 OF THIS ACT,**
11 **COLLATERALS ON LOANS AND ADVANCES GRANTED BY THE**
12 **BANGKO SENTRAL TO BANKING INSTITUTIONS SHALL NOT BE**
13 **SUBJECT TO ATTACHMENT, EXECUTION OR ANY OTHER COURT**
14 **PROCESS, NOR SHALL THEY BE INCLUDED IN THE PROPERTY**
15 **OF INSOLVENT PERSONS OR INSTITUTIONS, UNLESS ALL DEBTS**
16 **AND OBLIGATIONS OF THE BANKING INSTITUTIONS TO THE**
17 **BANGKO SENTRAL, WHETHER REGISTERED OR NOT, HAVE BEEN**
18 **PAID, INCLUDING ACCRUED INTEREST, PENALTIES,**
19 **COLLECTION EXPENSES, AND OTHER CHARGES.”**
20

21 **SEC. 26.** A new section entitled Section 88-B of the same Act shall be inserted after
22 Section 88-A which shall be read as follows:
23

24 “**SECTION 88-B. DEPUTIZATION OF LEGAL STAFF. – IN CASE**
25 **OF AN EXTRAJUDICIAL FORECLOSURE OF MORTGAGE, THE**
26 **BANGKO SENTRAL MAY DEPUTIZE ANY OF ITS LAWYERS TO**
27 **CONDUCT THE PUBLIC AUCTION PURSUANT TO ACT NO. 3135, AS**
28 **AMENDED. IN CASE OF A JUDICIAL FORECLOSURE, THE BANGKO**
29 **SENTRAL MAY WITH THE APPROVAL OF THE COURT, LIKEWISE**

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

9
10 NO RESTRAINING ORDER OR INJUNCTION SHALL BE
11 ISSUED BY THE COURT ENJOINING THE BANGKO SENTRAL FROM
12 PROCEEDING WITH THE FORECLOSURE OF THE MORTGAGE
13 UNLESS A BOND IS POSTED IN FAVOR OF THE BANGKO SENTRAL
14 IN AN AMOUNT EQUIVALENT TO THE TOTAL CLAIM OF THE
15 BANGKO SENTRAL. THE RESTRAINING ORDER OR INJUNCTION
16 SHALL BE REFUSED OR, IF GRANTED, SHALL BE DISSOLVED UPON
17 FILING BY THE BANGKO SENTRAL OF A BOND, WHICH SHALL BE
18 IN THE FORM OF A BANGKO SENTRAL CHECK, IN AN AMOUNT
19 TWICE THE AMOUNT OF THE ORIGINAL BOND POSTED
20 CONDITIONED THAT THE BANGKO SENTRAL WILL PAY THE
21 DAMAGES WHICH THE PARTY MAY SUFFER BY THE REFUSAL OR
22 DISSOLUTION OF THE INJUNCTION. THE PROVISIONS OF RULE 58
23 OF THE NEW RULES OF COURT INsofar AS THEY ARE
24 APPLICABLE AND NOT INCONSISTENT WITH THE PROVISIONS OF
25 THIS SECTION SHALL GOVERN THE ISSUANCE AND DISSOLUTION
26 OF THE RESTRAINING ORDER OR INJUNCTION CONTEMPLATED
27 IN THIS SECTION.”

1 SEC. 27. A new section entitled Section 88-C of the same Act shall be inserted after
2 Section 88-B which shall be read as follows:

3
4 "SECTION 88-C. *RIGHT OF REDEMPTION OF FORECLOSED*
5 *REAL PROPERTY; RIGHT OF POSSESSION DURING REDEMPTION*
6 *PERIOD* – THE MORTGAGOR SHALL HAVE THE RIGHT TO
7 REDEEM THE PROPERTY WITHIN ONE YEAR FROM THE DATE OF
8 FORECLOSURE SALE OF THE REAL ESTATE, IN CASE THE
9 MORTGAGOR IS A NATURAL PERSON, AND WITHIN NINETY (90)
10 DAYS BUT NOT LATER THAN THE DATE OF REGISTRATION OF
11 THE CERTIFICATE OF FORECLOSURE SALE, IN CASE THE
12 MORTGAGOR IS A JURIDICAL PERSON. REDEMPTION SHALL BE
13 EFFECTED BY PAYING THE PRINCIPAL, INTERESTS, CHARGES,
14 COMMISSIONS AND ALL CLAIMS OF WHATEVER NATURE OF THE
15 BANGKO SENTRAL OUTSTANDING AND DUE AS OF THE DATE OF
16 FORECLOSURE SALE, INCLUDING ALL COSTS AND OTHER
17 EXPENSES INCURRED BY REASON OF THE FORECLOSURE SALE
18 AND CUSTODY OF THE PROPERTY.

19
20 THE BANGKO SENTRAL, AS PURCHASER IN THE
21 FORECLOSURE SALE AND WITHOUT NEED OF POSTING A BOND,
22 MAY TAKE POSSESSION OF THE FORECLOSED PROPERTY
23 DURING THE REDEMPTION PERIOD. THE BANGKO SENTRAL
24 SHALL BE ENTITLED TO THE FRUITS OF THE PROPERTY, THE
25 SAME TO BE APPLIED AGAINST THE REDEMPTION PRICE.

26
27 SEC. 28. A new section entitled Section 89-A of the same Act shall be inserted between
28 Sections 89 which shall read as follows:

1
2 "**SECTION 89-A. CREDIT FACILITIES FOR ISLAMIC BANKS.**
3 **THE BANGKO SENTRAL MAY, TAKING INTO CONSIDERATION THE**
4 **PECULIAR CHARACTERISTICS OF ISLAMIC BANKING,**
5 **FORMULATE RULES AND REGULATIONS FOR THE EXTENSION OF**
6 **REDISCOUNTING OR OTHER SIMILAR FACILITIES TO ISLAMIC**
7 **BANKS."**

8
9 **SEC. 29.** Section 92 of the same Act is hereby amended to read as follows:

10
11 "**SECTION 92. ISSUE AND NEGOTIATION OF BANGKO**
12 **SENTRAL OBLIGATIONS.** — In order to provide the Bangko Sentral with
13 effective instruments for open market operations, the Bangko Sentral may, subject
14 to such rules and regulations as the Monetary Board may prescribe and in
15 accordance with the principles stated in Section 90 of this Act, issue, place, buy
16 and sell freely negotiable evidences of indebtedness of the Bangko Sentral:
17 *Provided,* That issuance of such certificates of indebtedness shall be **SUBJECT**
18 **TO PRIOR APPROVAL BY THE MONETARY BOARD** [made only in cases
19 of extraordinary movement in price levels]. Said evidences of indebtedness may
20 be issued directly against the international reserve of the Bangko Sentral or
21 against the securities which it has acquired under the provisions of Section 91 of
22 this Act, or may be issued without relation to specific types of assets of the
23 Bangko Sentral."

24
25 **SEC. 30.** Section 95 of the same Act is hereby amended to read as follows:

26
27 "**SECTION 95. Definition of Deposit Substitutes.** - The term "deposit
28 substitutes" is defined as an alternative form of obtaining funds from the public,
29 other than deposits, through the issuance, endorsement, or acceptance of

1 debt instruments for the borrower's own account, for the purpose of re-lending
 2 or purchasing of receivables and other obligations. These instruments may
 3 include, but need not be limited to, bankers, acceptances, promissory notes,
 4 participations, certificates of assignment and similar instruments with recourse,
 5 and repurchase agreements. The Monetary Board shall determine what
 6 specific instruments shall be considered as deposit substitutes for the purposes
 7 of Section 94 of this Act[:]. The Monetary Board **MAY ALSO EXCLUDE**
 8 **FUNDS OBTAINED OR BORROWED FROM CERTAIN**
 9 **INSTITUTIONAL LENDERS FROM THIS SECTION** [shall determine
 10 what specific instruments shall be considered as deposit substitutes for the
 11 purposes of Section 94 of this Act]: *Provided, however,* That deposit substitutes
 12 of commercial, industrial and other non-financial companies issued for the
 13 limited purpose of financing their own needs or the needs of their agents or
 14 dealers shall not be covered by the provisions of Section 94 of this Act."

15
 16 **SEC. 31.** Section 99 of the same Act is hereby amended to read as follows:

17
 18 **"SECTION 99. *Adjustment in Reserve Requirements.*** — Whenever in
 19 the opinion of the Monetary Board it becomes necessary to **ADJUST** [increase]
 20 reserve requirements against existing liabilities, the **CHANGE** [increase] shall be
 21 made in a [gradual] manner **CONSISTENT WITH THE MONETARY**
 22 **POLICY DETERMINED BY THE MONETARY BOARD** [and shall not
 23 exceed four percentage points in any thirty day period]. Banks and other affected
 24 financial institutions shall be notified reasonably in advance of the date on which
 25 such **CHANGE** [increase] is to become effective."

26
 27 **SEC. 32.** Section 104 of the same Act is hereby amended to read as follows:

1 “SECTION 104. *Guiding Principle.* — The Monetary Board shall use
2 the powers granted to it under this Act to ensure that the supply, availability and
3 cost of money are in accord with the needs of the Philippine economy and that
4 bank credit is not granted for speculative purposes prejudicial to the national
5 interests. Regulations on bank operations shall be applied to all banks of the same
6 category **AS MAY BE DEFINED BY THE MONETARY BOARD** uniformly
7 and without discrimination.”

8
9 **SEC. 33.** Section 108 of the same Act is hereby amended to read as follows:
10

11 “SECTION 108. *Minimum Capital Ratios.* - The Monetary Board may
12 prescribe minimum **RISK-BASED CAPITAL ADEQUACY** ratios
13 **BASED ON INTERNATIONALLY ACCEPTED STANDARDS** [which
14 the capital and surplus of the banks must bear to the volume of their assets, or to
15 specific categories thereof,] and may alter said ratios whenever it deems
16 necessary. **IN THE EXERCISE OF ITS AUTHORITY UNDER THIS**
17 **SECTION, THE MONETARY BOARD MAY PRESCRIBE A HIGHER**
18 **MINIMUM CAPITAL ADEQUACY RATIO FOR INDIVIDUAL BANKS**
19 **WHICH ARE EXPOSED TO MORE THAN NORMAL RISKS.”**

20
21 **SEC. 34.** Section 113 of the same Act is hereby amended to read as follows:
22

23 “SECTION 113. *Official Deposits.* — The Bangko Sentral shall be the
24 official depository of the Government, its political subdivisions and
25 instrumentalities as well as of government-owned or controlled corporations and,
26 as a general policy, their cash balances should be deposited with the Bangko
27 Sentral, with only minimum working balances to be held by government-owned
28 banks and such other banks incorporated in the Philippines as the Monetary Board
29 may designate, subject to such rules and regulations as the Board may prescribe:

1 *Provided*, That such banks may hold deposits of the political subdivisions and
2 instrumentalities of the Government beyond their minimum working balances
3 whenever such subdivisions or instrumentalities have outstanding loans with said
4 banks.

5
6 The Bangko Sentral may pay interest on deposits of the Government or of
7 its political subdivisions and instrumentalities, as well as on deposits **AND**
8 **OTHER SIMILAR PLACEMENTS** of banks [with the Bangko Sentral] **AND**
9 **OTHER BANGKO SENTRAL-SUPERVISED INSTITUTIONS.**”

10
11 **SEC. 35.** Section 125 of the same Act is hereby amended to read as follows:

12
13 **“SECTION 125. *Tax Exemptions.*- THE PROVISIONS OF ANY**
14 **GENERAL OR SPECIAL LAW TO THE CONTRARY**
15 **NOTWITHSTANDING, ALL INTERNAL REVENUE TAX**
16 **OBLIGATIONS OF THE BANGKO SENTRAL ARISING FROM**
17 **REVENUES AND RECEIPTS WITH RESPECT TO THE EXERCISE OF**
18 **ITS ESSENTIAL GOVERNMENTAL FUNCTION SHALL, FOR A**
19 **PERIOD OF FIVE (5) YEARS RECKONED FROM THE DATE OF**
20 **EFFECTIVITY OF THIS ACT, BE CHARGEABLE TO THE TAX**
21 **EXPENDITURE FUND (TEF) IN THE ANNUAL GENERAL**
22 **APPROPRIATIONS ACT PURSUANT TO THE PROVISIONS OF**
23 **EXECUTIVE ORDER NO. 93, SERIES OF 1986: PROVIDED THAT, ON**
24 **THE 6TH YEAR AND THEREAFTER, THE BANGKO SENTRAL SHALL**
25 **BE EXEMPT FROM ALL NATIONAL TAXES RESULTING FROM THE**
26 **EXERCISE OF ITS ESSENTIAL GOVERNMENTAL FUNCTION:**
27 ***PROVIDED HOWEVER,* THAT THE BANGKO SENTRAL SHALL BE**
28 **SUBJECT TO NATIONAL TAXES SUCH AS, BUT NOT LIMITED TO,**
29 **THE INCOME TAX AND BUSINESS TAXES RESULTING FROM THE**

1 **EXERCISE OF PURELY PROPRIETARY FUNCTIONS: PROVIDED,**
 2 **FINALLY, THAT THE BUREAU OF INTERNAL REVENUE SHALL**
 3 **ISSUE THE NECESSARY REVENUE REGULATIONS TO IMPLEMENT**
 4 **THE PROVISIONS OF THIS SECTION** [The Bangko Sentral shall be exempt,
 5 for a period of five (5) years from the approval of this Act from all national,
 6 provincial, municipal and city taxes, fees, charges and assessments.]

7
 8 The exemptions authorized in the preceding paragraph of this section
 9 shall apply to all property of the Bangko Sentral, to the resources, receipts,
 10 expenditures, profits and income of the Bangko Sentral, as well as to all
 11 contracts, deeds, documents and transactions related to the conduct of the
 12 business of the Bangko Sentral: *Provided, however,* That said exemptions shall
 13 apply only such taxes, fees, charges, and assessments for which the Bangko
 14 Sentral itself would otherwise be liable, and shall not apply to taxes, fees,
 15 charges, or assessments payable by persons or other entities doing business with
 16 the Bangko Sentral: *Provided, further,* That foreign loans and other
 17 obligations of the Bangko Sentral shall be exempt, both as to principal and
 18 interest, from any and all other taxes if the payment of such taxes has been
 19 assumed by the Bangko Sentral.”

20
 21 **SEC. 36.** The first paragraph of Section 126 of the same Act is hereby amended to read
 22 as follows:

23
 24 **“SECTION 126. Exemption from Customs Duties.** - The provision of
 25 any general or special law to the contrary notwithstanding, the importation and
 26 exportation by the Bangko Sentral of notes and coins, and of gold and other
 27 metals to be used for purposes authorized under this Act, and the importation of
 28 all equipment **AND SUPPLIES** needed [for purposes authorized under this Act,
 29 and the importation of all equipment needed for] **IN THE BANGKO SENTRAL**

1 **OPERATIONS SPECIFICALLY RELATED TO** bank note production,
2 minting of coins, metal refining, [and other] security printing operations **AND**
3 **TRANSPORT OF CURRENCY** shall be fully exempt from all customs
4 duties and consular fees and from all other taxes, assessments and charges
5 related to such importation or exportation: **PROVIDED, THAT THE BUREAU**
6 **OF CUSTOMS SHALL ISSUE THE NECESSARY GUIDELINES TO**
7 **IMPLEMENT THE PROVISIONS OF THIS SECTION”**

8
9 **SEC. 37.** The first paragraph of Section 128 of the same Act is hereby amended to read
10 as follows:

11
12 **“SECTION 128. Prohibitions.-** The Bangko Sentral shall not acquire
13 shares of any kind or accept them as collateral, and shall not participate in the
14 ownership or management of any enterprise, either directly or indirectly [.]:
15 **PROVIDED, THAT THIS PROHIBITION SHALL NOT APPLY**
16 **WHENEVER SUCH OWNERSHIP AND/OR MANAGEMENT IS**
17 **EXPRESSLY AUTHORIZED BY LAW, OR THE MONETARY BOARD**
18 **BY A VOTE OF AT LEAST FIVE (5) OF ITS MEMBERS DEEMS AN**
19 **ACQUISITION OR INVESTMENT TO BE NECESSARY TO THE**
20 **PERFORMANCE BY BANGKO SENTRAL OF ITS MANDATES UNDER**
21 **THIS ACT OR TO QUALIFY OR AS REQUIRED FOR MEMBERSHIP IN**
22 **INTERNATIONAL AND REGIONAL ORGANIZATIONS.”**

23
24 **SEC. 38. Repealing Clause.** All provisions of existing laws, orders, rules and
25 regulations, or parts thereof, in conflict or inconsistent with the provisions of this Act are hereby
26 repealed.

27
28 **SEC. 39. Separability Clause.** If any provision or section of this Act or the application
29 thereof to any person or circumstance is held to be invalid, the other provisions or sections of this

1 Act, and the application of such provision or section to other persons or circumstances, shall not
2 be affected thereby.

3

4 **SEC. 40. *Effectivity.*** This Act shall take effect after fifteen (15) days following its
5 publication either in the *Official Gazette* or in a newspaper of general circulation in the
6 Philippines.

7

Approved,