

PROVIDING FOR CERTAIN INNOVATIVE MEASURES FOR THE GOVERNMENT TO REDUCE THE PRESSURE ON DOMESTIC INTEREST RATES

ADMINISTRATIVE ORDER NO. 173, June 18, 1990

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WHEREAS, innovative measures to narrow the gap between domestic interest rates and the inflation rate must be undertaken to minimize the adverse effects of high real interest rates on the economy;

WHEREAS, there are procedures and practices that lead to the increase in the float of government funds in the domestic financial system thus requiring the issuance of more securities which tend to increase domestic interest rates;

NOW, THEREFORE, I, CORAZON C. AQUINO, President of the Philippines, by virtue of the powers vested in me by law, do hereby order;

SECTION 1. All government owned or controlled corporations shall not utilize drawdowns from equity contributions or subsidies provided by the National Government for any purpose other than that for which the same were appropriated. Neither such drawdowns be invested in securities, money market placements and similar investments.

SEC. 2. All government owned or controlled corporations, government financial institutions, and local government units are hereby directed to invest their idle funds in excess of normal operating requirements in medium-term and long-term government securities or in special short-term government securities.

SEC. 3. All government owned or controlled corporations are hereby directed to forthwith transfer to the National Treasury their trust accounts currently deposited in banks.

SEC. 4. All government owned or controlled corporations and government financial institutions are hereby directed to remit the dividends mandated under Executive Order No. 399 dated 24 April 1990 within one quarter after year-end subject to final determination of the amounts when the audited reports are issued. Appropriate sanctions shall be imposed on institutions that failed to comply with this Administrative Order. This provision shall not apply to the Government Service Insurance System, the Social Security System, and those government owned or controlled corporations whose profit distribution is provided for by their respective charters or special laws.

SEC. 5. The Department of Finance is hereby empowered to issue the necessary rules and regulations to implement the directives in Sections 1, 2, and 3 hereof.

SEC. 6. This Administrative Order shall take effect fifteen (15) days following the completion of its publication in the Official Gazette or in a national newspaper of general circulation.

DONE in the City of Manila, this 18th day of June, in the year of Our Lord, nineteen hundred and ninety.

(Sgd.) CORAZON C. AQUINO

President of the Philippines

By the President:

(Sgd.) CATALINO MACARAIG, JR.

Executive Secretary

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