

LETTER OF INSTRUCTIONS NO. 1134, May 21, 1981

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TO:

The Governor, Central Bank of the Philippines
The Chairman, Securities and Exchange Commission
The President, Government Service Insurance System
The Administrator, Social Security System
The President, Philippine National Bank
The Chairman, Development Bank of the Philippines
The President, Land Bank of the Philippines
The Minister of the Budget and the Minister of National Defense
All Others Concerned

Whereas, the development of capital markets is an important component of national progress;

Whereas, it is necessary to strengthen stock exchanges in order that they may better fulfill their function in liquifying investments in stocks and other securities;

Whereas, the infusion of credit and investment funds into well-managed companies' shares will assist in the strengthening of investor confidence in the securities market;

Whereas, government financial institutions have funds available for purposes of investment in conservative companies with an established earnings and dividend record;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, do hereby Order and Instruct:

- The Central Bank of the Philippines shall establish a Special Financing Program intended to provide liquidity for secondary trading in non-speculative common and preferred shares. The Program shall be implemented through Special Time Deposits in qualified banks, intended for relending on security of non-speculative shares under such guidelines and conditions as may be determined by the Monetary Board. The earnings and cash dividend record of companies shall be the primary criteria for participation of companies' shares in the Program.
- The Chairman, Securities and Exchange Commission, shall assist the Central Bank in the evaluation of company shares, which shall be limited to those listed in the stock exchanges.
- The Special Financing Program shall be funded from contributions from the National Budget and from government financial institutions. The Minister of the Budget shall release the sum of thirty million pesos (P30,000,000) from the Special Activities Fund for the purpose. The Government Service Insurance System, the Social Security System, the Development Bank of the Philippines, and the Philippine National Bank shall each invest ten million pesos (P10,000,000) in the Program, so as to constitute a total initial fund of seventy million pesos (P70,000,000). The funding shall be augmented through normal rediscount processes and the Central Bank shall determine such terms and conditions under which rediscounting can be undertaken.

- The Special Financing Program funds may also be used to support part of the investment portfolio of "unibanks" which are in listed shares meeting the criteria established under no. 1 hereof,
- Government financial institutions shall include in their investment portfolio, shares of stock which fulfill the guidelines and criteria directed under number 1 and 2 hereof and which are approved by the President. They shall create a stock investment fund in such amount as may be likewise approved by the President.
- Funds of government owned or controlled corporations and of local government units which are held in trust by authorized government financial institutions may be invested in shares of stock under such guidelines and limits as may be determined by the Monetary Board and approved by the President.
- The Minister of National Defense and the Armed Forces of the Philippines Chief of Staff shall study and recommend to the President a program of investment in listed common shares, of the AFP retirement funds.
- The Governor of the Central Bank and the Chairman of the Securities and Exchange Commission shall consider (a) the possibility of listing government securities including Central Bank Certificates of Indebtedness and private commercial paper issues on the stock exchanges, as a means of secondary trading in such issues, and (b) the desirability of allowing stock brokers to pool investor funds for purposes of investment in commercial paper which are allowed to be issued in relatively large denominations.
- The Governor of the Central Bank shall coordinate with all concerned, including the stock exchanges, in the implementation of this Letter and shall report periodically to the President on compliance with same.

Done in the City of Manila, this 21st day of May, nineteen hundred and eighty one.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

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