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GUIDELINES FOR BOND FLOTATIONS (WITHOUT NATIONAL GOVERNMENT GUARANTEE) BY LOCAL GOVERNMENT UNITS UNDER R.A. 7160 (LOCAL GOVERNMENT CODE)

BSP CIRCULAR NO. 41, s. 1994, August 29, 1994

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Pursuant to Monetary Board Resolution No. 824 dated August 24, 1994, the following guidelines shall govern the bond flotations without National Government guarantee by local government units under Republic Act 7160:

I
Legal Basis

1. Section 299 of Republic Act No. 7160 (otherwise known as Local Government Code of 1991), provides that provinces, cities and municipalities are authorized, subject to the rules and regulations of the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission, "to issue bonds, debentures, securities, collaterals, notes and other obligations to finance self-liquidating, income producing development or livelihood projects pursuant to the priorities established in the approved local development plan or the public investment program. The Sanggunian concerned shall, through an ordinance approved by a majority of all its members, declare and state the terms and conditions of the bonds and the purpose for which the proposed indebtedness is to be incurred."

2. Section 123, Article III — Functions as Financial Advisor of the Government, Republic Act 7653 (otherwise known as the BSP Charter) provides that ". . . Whenever the Government, or any of its political subdivisions or instrumentalities, contemplates borrowing within the Philippines, the prior opinion of the Monetary Board shall likewise be requested in order that the Board may render an opinion on the probable effects of the proposed operation on monetary aggregates, the price level, and the balance of payments."

II
Coverage

This Circular shall cover bonds to be issued by local government units which do not carry the guarantee of the Republic of the Philippines.

III
Procedures

1. A local government unit's proposal to issue bonds under these rules shall be submitted to the Bangko Sentral together with the following documents:

1.1

An ordinance or resolution approved by the majority of all its sanggunian members declaring and stating the terms and conditions of the bonds, the purpose for which the proposed indebtedness is to be incurred and that the project to be financed by the proposed flotation is among those in the priority areas of approved local development plan or the public investment program together with details of the development or livelihood project to be financed by the bond flotation particularly with respect to any foreign exchange purchases of raw

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materials/services, intermediate and capital goods; and

1.2

Such other documents that may be required.

2. The Bangko Sentral shall render an opinion on the probable effects of the proposed bond flotation on monetary aggregates, the price level and the balance of payments.

3. In case of favorable comments by the Bangko Sentral, the bond proposal shall be submitted to the respective authority exercising supervision over the proponent LGU concerned as cited under Article One, Chapter 3, Section 25 of the 1991 Local Government Code for final approval.

4. Upon approval by the authority referred to in Item No. III-3, the LGU concerned shall coordinate with its underwriter, trustee or other agents for the implementation of the approved bond flotation.

IV
Effectivity

This Circular shall take effect fifteen (15) days after its publication in two (2) national newspapers of general circulation.

Adopted: 29 Aug. 1994

(SGD.) GABRIEL C. SINGSON
Governor

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