THE NEW CENTRAL BANK ACT

REPUBLIC ACT NO. 7653, June 14, 1993

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

CHAPTER IEstablishment and Organization of the Bangko Sentral ng Pilipinas

Article I. Creation, Responsibilities and Corporate Powers of the Bangko Sentral

SECTION 1. Declaration of Policy. — The State shall maintain a central monetary authority that shall function and operate as an independent and accountable body corporate in the discharge of its mandated responsibilities concerning money, banking and credit. In line with this policy, and considering its unique functions and responsibilities, the central monetary authority established under this Act, while being a government-owned corporation, shall enjoy fiscal and administrative autonomy.

SEC. 2. Creation of the Bangko Sentral. — There is hereby established an independent central monetary authority, which shall be a body corporate known as the Bangko Sentral ng Pilipinas, hereafter referred to as the Bangko Sentral.

The capital of the Bangko Sentral shall be Fifty billion pesos (P50,000,000,000), to be fully subscribed by the Government of the Republic, hereafter referred to as the Government, Ten billion pesos (P10,000,000,000) of which shall be fully paid for by the Government upon the effectivity of this Act and the balance to be paid for within a period of two (2) years from the effectivity of this Act in such manner and form as the Government, through the Secretary of Finance and the Secretary of Budget and Management, may thereafter determine.

SEC. 3. Responsibility and Primary Objective. — The Bangko Sentral shall provide policy directions in the areas of money, banking, and credit. It shall have supervision over the operations of banks and exercise such regulatory powers as provided in this Act and other pertinent laws over the operations of finance companies and non-bank financial institutions performing quasi-banking functions, hereafter referred to as quasi-banks, and institutions performing similar functions.

The primary objective of the Bangko Sentral is to maintain price stability conducive to a balanced and sustainable growth of the economy. It shall also promote and maintain monetary stability and the convertibility of the peso.

SEC. 4. Place of Business. — The Bangko Sentral shall have its principal place of business in Metro Manila, but may maintain branches, agencies and correspondents in such other places as the proper conduct of its business may require.

SEC. 5. Corporate Powers. — The Bangko Sentral is hereby authorized to adopt, alter, and use a corporate seal which shall be judicially noticed; to enter into contracts; to lease or own real and personal property, and to sell or otherwise dispose of the same; to sue and be sued; and otherwise to do and perform any and all things that may be necessary or proper to carry out the purposes of this Act.

The Bangko Sentral may acquire and hold such assets and incur such liabilities in connection with its operations authorized by the provisions of this Act, or as are essential to the proper conduct of such operations.

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The Bangko Sentral may compromise, condone or release, in whole or in part, any claim of or settled liability to the Bangko Sentral, regardless of the amount involved, under such terms and conditions as may be prescribed by the Monetary Board to protect the interests of the Bangko Sentral.

Article II. The Monetary Board

SEC. 6. Composition of the Monetary Board. — The powers and functions of the Bangko Sentral shall be exercised by the Bangko Sentral Monetary Board, hereafter referred to as the Monetary Board, composed of seven (7) members appointed by the President of the Philippines for a term of six (6) years.

The seven (7) members are:

- the Governor of the Bangko Sentral, who shall be the Chairman of the Monetary Board. The Governor of the Bangko Sentral shall be head of a department and his appointment shall be subject to confirmation by the Commission on Appointments. Whenever the Governor is unable to attend a meeting of the Board, he shall designate a Deputy Governor to act as his alternate: Provided, That in such event, the Monetary Board shall designate one of its members as acting Chairman;

- a member of the Cabinet to be designated by the President of the Philippines. Whenever the designated Cabinet Member is unable to attend a meeting of the Board, he shall designate an Undersecretary in his Department to attend as his alternate; and

- five (5) members who shall come from the private sector, all of whom shall serve full-time: Provided, however, That of the members first appointed under the provisions of this subsection, three (3) shall have a term of six (6) years, and the other two (2), three (3) years.

No member of the Monetary Board may be reappointed more than once.

SEC. 7. Vacancies. — Any vacancy in the Monetary Board created by the death, resignation, or removal of any member shall be filled by the appointment of a new member to complete the unexpired period of the term of the member concerned.

SEC. 8. Qualifications. — The members of the Monetary Board must be natural-born citizens of the Philippines, at least thirty-five (35) years of age, with the exception of the Governor who should at least be forty (40) years of age, of good moral character, of unquestionable integrity, of known probity and patriotism, and with recognized competence in social and economic disciplines.

SEC. 9. Disqualifications. — In addition to the disqualifications imposed by Republic Act No. 6713, a member of the Monetary Board is disqualified from being a director, officer, employee, consultant, lawyer, agent or stockholder of any bank, quasi-bank or any other institution which is subject to supervision or examination by the Bangko Sentral, in which case such member shall resign from, and divest himself of any and all interests in such institution before assumption of office as member of the Monetary Board.

The members of the Monetary Board coming from the private sector shall not hold any other public office or public employment during their tenure.

No person shall be a member of the Monetary Board if he has been connected directly with any multilateral banking or financial institution or has a substantial interest in any private bank in the Philippines, within one (1) year prior to his appointment; likewise, no member of the Monetary Board shall be employed in any such institution within two (2) years after the expiration of his term except when he serves as an official representative of the Philippine Government to such institution.

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SEC. 10. Removal. — The President may remove any member of the Monetary Board for any of the following reasons:

- If the member is subsequently disqualified under the provisions of Section 8 of this Act; or

- If he is physically or mentally incapacitated that he cannot properly discharge his duties and responsibilities and such incapacity has lasted for more than six (6) months; or

- If the member is guilty of acts or operations which are of fraudulent or illegal character or which are manifestly opposed to the aims and interests of the Bangko Sentral; or

- If the member no longer possesses the qualifications specified in Section 8 of this Act.

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

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

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

The Bangko Sentral shall maintain and preserve a complete record of the proceedings and deliberations of the Monetary Board, including the tapes and transcripts of the stenographic notes, either in their original form or in microfilm.

SEC. 12. Attendance of the Deputy Governors. — The Deputy Governors may attend the meetings of the Monetary Board with the right to be heard.

SEC. 13. Salary. — The salary of the Governor and the members of the Monetary Board from the private sector shall be fixed by the President of the Philippines at a sum commensurate to the importance and responsibility attached to the position.

SEC. 14. Withdrawal of Persons Having a Personal Interest. — In addition to the requirements of Republic Act No. 6713, any member of the Monetary Board with personal or pecuniary interest in any matter in the agenda of the Monetary Board shall disclose his interest to the Board and shall retire from the meeting when the matter is taken up. The decision taken on the matter shall be made public. The minutes shall reflect the disclosure made and the retirement of the member concerned from the meeting.

SEC. 15. Exercise of Authority. — In the exercise of its authority, the Monetary Board shall:

- issue rules and regulations it considers necessary for the effective discharge of the responsibilities and exercise of the powers vested upon the Monetary Board and the Bangko Sentral. The rules and regulations issued shall be reported to the President and the Congress within fifteen (15) days from the date of their issuance;

- direct the management, operations, and administration of the Bangko Sentral, reorganize its personnel, and issue such rules and regulations as it may deem necessary or convenient for this purpose. The legal units of the Bangko Sentral shall be under the exclusive supervision and control of the Monetary Board;

- establish a human resource management system which shall govern the selection, hiring, appointment, transfer, promotion, or dismissal of all personnel. Such system shall aim to establish professionalism and excellence at all levels of the Bangko Sentral in accordance with sound principles of management.

A compensation structure, based on job evaluation studies and wage surveys and subject to the Board's approval,

shall be instituted as an integral component of the Bangko Sentral's human resource development program: Provided, That the Monetary Board shall make its own system conform as closely as possible with the principles provided for under Republic Act No. 6758: Provided, however, That compensation and wage structure of employees whose positions fall under salary grade 19 and below shall be in accordance with the rates prescribed under Republic Act No. 6758.

On the recommendation of the Governor, appoint, fix the remunerations and other emoluments, and remove personnel of the Bangko Sentral, subject to pertinent civil service laws: Provided, That the Monetary Board shall have exclusive and final authority to promote, transfer, assign, or reassign personnel of the Bangko Sentral and these personnel actions are deemed made in the interest of the service and not disciplinary: Provided, further, That the Monetary Board may delegate such authority to the Governor under such guidelines as it may determine.

- adopt an annual budget for and authorize such expenditures by the Bangko Sentral as are in the interest of the effective administration and operations of the Bangko Sentral in accordance with applicable laws and regulations; and

- indemnify its members and other officials of the Bangko Sentral, including personnel of the departments performing supervision and examination functions against all costs and expenses reasonably incurred by such persons in connection with any civil or criminal action, suit or proceedings to which he may be, or is, made a party by reason of the performance of his functions or duties, unless he is finally adjudged in such action or proceeding to be liable for negligence or misconduct.

In the event of a settlement or compromise, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Bangko Sentral is advised by external counsel that the person to be indemnified did not commit any negligence or misconduct.

The cost and expenses incurred in defending the aforementioned action, suit or proceeding may be paid by the Bangko Sentral in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the member, officer, or employee to repay the amount advanced should it ultimately be determined by the Monetary Board that he is not entitled to be indemnified as provided in this subsection.

SEC. 16. Responsibility. — Members of the Monetary Board, officials, examiners, and employees of the Bangko Sentral who willfully violate this Act or who are guilty of negligence, abuses or acts of malfeasance or misfeasance or fail to exercise extraordinary diligence in the performance of his duties shall be held liable for any loss or injury suffered by the Bangko Sentral or other banking institutions as a result of such violation, negligence, abuse, malfeasance, misfeasance or failure to exercise extraordinary diligence.

Similar responsibility shall apply to members, officers, and employees of the Bangko Sentral for: (1) the disclosure of any information of a confidential nature, or any information on the discussions or resolutions of the Monetary Board, or about the confidential operations of the Bangko Sentral, unless the disclosure is in connection with the performance of official functions with the Bangko Sentral, or is with prior authorization of the Monetary Board or the Governor; or (2) the use of such information for personal gain or to the detriment of the Government, the Bangko Sentral or third parties: Provided, however, That any data or information required to be submitted to the President and/or the Congress, or to be published under the provisions of this Act shall not be considered confidential.

Article III. The Governor and Deputy Governors of the Bangko Sentral

SEC. 17. Powers and Duties of the Governor. — The Governor shall be the chief executive officer of the Bangko

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Sentral. His powers and duties shall be to:

- prepare the agenda for the meetings of the Monetary Board and to submit for the consideration of the Board the policies and measures which he believes to be necessary to carry out the purposes and provisions of this Act;

- execute and administer the policies and measures approved by the Monetary Board;

- direct and supervise the operations and internal administration of the Bangko Sentral. The Governor may delegate certain of his administrative responsibilities to other officers or may assign specific tasks or responsibilities to any fulltime member of the Monetary Board without additional remuneration or allowance whenever he may deem fit or subject to such rules and regulations as the Monetary Board may prescribe;

- appoint and fix the remunerations and other emoluments of personnel below the rank of a department head in accordance with the position and compensation plans approved by the Monetary Board, as well as to impose disciplinary measures upon personnel of the Bangko Sentral, subject to the provisions of Section 15(c) of this Act: Provided, That removal of personnel shall be with the approval of the Monetary Board;

- render opinions, decisions, or rulings, which shall be final and executory until reversed or modified by the Monetary Board, on matters regarding application or enforcement of laws pertaining to institutions supervised by the Bangko Sentral and laws pertaining to quasi-banks, as well as regulations, policies or instructions issued by the Monetary Board, and the implementation thereof; and

- exercise such other powers as may be vested in him by the Monetary Board.

SEC. 18. Representation of the Monetary Board and the Bangko Sentral. — The Governor of the Bangko Sentral shall be the principal representative of the Monetary Board and of the Bangko Sentral and, in such capacity and in accordance with the instructions of the Monetary Board, he shall be empowered to:

- represent the Monetary Board and the Bangko Sentral in all dealings with other offices, agencies and instrumentalities of the Government and all other persons or entities, public or private, whether domestic, foreign or international;

- sign contracts entered into by the Bangko Sentral, notes and securities issued by the Bangko Sentral, all reports, balance sheets, profit and loss statements, correspondence and other documents of the Bangko Sentral.
The signature of the Governor may be in facsimile whenever appropriate;

- represent the Bangko Sentral, either personally or through counsel, including private counsel, as may be authorized by the Monetary Board, in any legal proceedings, action or specialized legal studies; and

- delegate his power to represent the Bangko Sentral, as provided in subsections (a), (b) and (c) of this section, to other officers upon his own responsibility: Provided, however, That in order to preserve the integrity and the prestige of his office, the Governor of the Bangko Sentral may choose not to participate in preliminary discussions with any multilateral banking or financial institution on any negotiations for the Government within or outside the Philippines. During the negotiations, he may instead be represented by a permanent negotiator.

SEC. 19. Authority of the Governor in Emergencies. — In case of emergencies where time is insufficient to call a meeting of the Monetary Board, the Governor of the Bangko Sentral, with the concurrence of two (2) other members of the Monetary Board, may decide any matter or take any action within the authority of the Board.

The Governor shall submit a report to the President and Congress within seventy-two (72) hours after the action has been taken.

At the soonest possible time, the Governor shall call a meeting of the Monetary Board to submit his action for

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ratification.

SEC. 20. Outside Interests of the Governor and the Full-time Members of the Board. — The Governor of the Bangko Sentral and the full-time members of the Board shall limit their professional activities to those pertaining directly to their positions with the Bangko Sentral. Accordingly, they may not accept any other employment, whether public or private, remunerated or ad honorem, with the exception of positions in eleemosynary, civic, cultural or religious organizations or whenever, by designation of the President, the Governor or the full-time member is tasked to represent the interest of the Government or other government agencies in matters connected with or affecting the economy or the financial system of the country.

SEC. 21. Deputy Governors. — The Governor of the Bangko Sentral, with the approval of the Monetary Board, shall appoint not more than three (3) Deputy Governors who shall perform duties as may be assigned to them by the Governor and the Board.

In the absence of the Governor, a Deputy Governor designated by the Governor shall act as chief executive of the Bangko Sentral and shall exercise the powers and perform the duties of the Governor. Whenever the Governor is unable to attend meetings of government boards or councils in which he is an ex officio member pursuant to provisions of special laws, a Deputy Governor as may be designated by the Governor shall be vested with authority to participate and exercise the right to vote in such meetings.

Article IV. Operations of the Bangko Sentral

SEC. 22. Research and Statistics. — The Bangko Sentral shall prepare data and conduct economic research for the guidance of the Monetary Board in the formulation and implementation of its policies. Such data shall include, among others, forecasts of the balance of payments of the Philippines, statistics on the monthly movement of the monetary aggregates and of prices and other statistical series and economic studies useful for the formulation and analysis of monetary, banking, credit and exchange policies.

SEC. 23. Authority to Obtain Data and Information. — The Bangko Sentral shall have the authority to request from government offices and instrumentalities, or government-owned or controlled corporations, any data which it may require for the proper discharge of its functions and responsibilities. The Bangko Sentral through the Governor or in his absence, a duly authorized representative shall have the power to issue a subpoena for the production of the books and records for the aforesaid purpose. Those who refuse the subpoena without justifiable cause, or who refuse to supply the bank with data requested or required, shall be subject to punishment for contempt in accordance with the provisions of the Rules of Court.

Data on individual firms, other than banks, gathered by the Department of Economic Research and other departments or units of the Bangko Sentral shall not be made available to any person or entity outside of the Bangko Sentral whether public or private except under order of the court or under such conditions as may be prescribed by the Monetary Board: Provided, however, That the collective data on firms may be released to interested persons or entities: Provided, finally, That in the case of data on banks, the provisions of Section 27 of this Act shall apply.

SEC. 24. Training of Technical Personnel. — The Bangko Sentral shall promote and sponsor the training of technical personnel in the field of money and banking. Toward this end, the Bangko Sentral is hereby authorized to defray the costs of study, at home or abroad, of qualified employees of the Bangko Sentral, of promising university graduates or of any other qualified persons who shall be determined by proper competitive examinations. The Monetary Board shall prescribe rules and regulations to govern the training program of the Bangko Sentral.

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SEC. 25. Supervision and Examination. — The Bangko Sentral shall have supervision over, and conduct periodic 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 owned 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 to such institution or intermediary through common stockholders or such other factors as may be determined by the Monetary Board.

The department heads and the examiners of the supervising and/or examining departments are hereby authorized to administer oaths to any director, officer, or employee of any institution under their respective supervision or subject to their examination and to compel the presentation of all books, documents, papers or records necessary in their judgment to ascertain the facts relative to the true condition of any institution as well as the books and records of persons and entities relative to or in connection with the operations, activities or transactions of the institution under examination, subject to the provision of existing laws protecting or safeguarding the secrecy or confidentiality of bank deposits as well as investments of private persons, natural or juridical, in debt instruments issued by the Government.

No restraining order or injunction shall be issued by the court enjoining the Bangko Sentral from examining any institution subject to supervision or examination by the Bangko Sentral, unless there is convincing proof that the action of the Bangko Sentral is plainly arbitrary and made in bad faith and the petitioner or plaintiff files with the clerk or judge of the court in which the action is pending a bond executed in favor of the Bangko Sentral, in an amount to be fixed by the court. The provisions of Rule 58 of the New Rules of Court insofar as they are applicable and not inconsistent with the provisions of this section shall govern the issuance and dissolution of the restraining order or injunction contemplated in this section.

SEC. 26. Bank Deposits and Investments. — Any director, officer or stockholder who, together with his related interest, contracts a loan or any form of financial accommodation from: (1) his bank; or (2) from a bank (a) which is a subsidiary of a bank holding company of which both his bank and the lending bank are subsidiaries or (b) in which a controlling proportion of the shares is owned by the same interest that owns a controlling proportion of the shares of his bank, in excess of five percent (5%) of the capital and surplus of the bank, or in the maximum amount permitted by law, whichever is lower, shall be required by the lending bank to waive the secrecy of his deposits of whatever nature in all banks in the Philippines. Any information obtained from an examination of his deposits shall be held strictly confidential and may be used by the examiners only in connection with their supervisory and examination responsibility or by the Bangko Sentral in an appropriate legal action it has initiated involving the deposit account.

SEC. 27. Prohibitions. — In addition to the prohibitions found in Republic Act Nos. 3019 and 6713, personnel of the Bangko Sentral are hereby prohibited from:

- being an officer, director, lawyer or agent, employee, consultant or stockholder, directly or indirectly, of any institution subject to supervision or examination by the Bangko Sentral, except non-stock savings and loan associations and provident funds organized exclusively for employees of the Bangko Sentral, and except as otherwise provided in this Act;

- directly or indirectly requesting or receiving any gift, present or pecuniary or material benefit for himself or another, from any institution subject to supervision or examination by the Bangko Sentral;

- revealing in any manner, except under orders of the court, the Congress or any government office or agency authorized by law, or under such conditions as may be prescribed by the Monetary Board, information relating to the condition or business of any such institution. This prohibition shall not be held to apply to the giving of information to the Monetary Board or the Governor of the Bangko Sentral, or to any person authorized by either of them, in writing, to receive such information; and

- borrowing from any institution subject to supervision or examination by the Bangko Sentral shall be prohibited unless said borrowings are adequately secured, fully disclosed to the Monetary Board, and shall be subject to such further rules and regulations as the Monetary Board may prescribe: Provided, however, That personnel of the supervising and examining departments are prohibited from borrowing from a bank under their supervision or examination.

SEC. 28. Examination and Fees. — The supervising and examining department head, personally or by deputy, shall examine the books of every banking institution once in every twelve (12) months, and at such other times as the Monetary Board by an affirmative vote of five (5) members, may deem expedient and to make a report on the same to the Monetary Board: Provided, That there shall be an interval of at least twelve (12) months between annual examinations.

The bank concerned shall afford to the head of the appropriate supervising and examining departments and to his authorized deputies full opportunity to examine its books, cash and available assets and general condition at any time during banking hours when requested to do so by the Bangko Sentral: Provided, however, That none of the reports and other papers relative to such examinations shall be open to inspection by the public except insofar as such publicity is incidental to the proceedings hereinafter authorized or is necessary for the prosecution of violations in connection with the business of such institutions.

Banking and quasi-banking institutions which are subject to examination by the Bangko Sentral shall pay to the Bangko Sentral, within the first thirty (30) days of each year, an annual fee in an amount equal to a percentage as may be prescribed by the Monetary Board of its average total assets during the preceding year as shown on its end-of-month balance sheets, after deducting cash on hand and amounts due from banks, including the Bangko Sentral and banks abroad.

SEC. 29. Appointment of Conservator. — Whenever, on the basis of a report submitted by the appropriate supervising or examining department, the Monetary Board finds that a bank or a quasi-bank is in a state of continuing inability or unwillingness to maintain a condition of liquidity deemed adequate to protect the interest of depositors and creditors, the Monetary Board may appoint a conservator with such powers as the Monetary Board shall deem necessary to take charge of the assets, liabilities, and the management thereof, reorganize the management, collect all monies and debts due said institution, and exercise all powers necessary to restore its viability. The conservator shall report and be responsible to the Monetary Board and shall have the power to overrule or revoke the actions of the previous management and board of directors of the bank or quasi-bank.

The conservator should be competent and knowledgeable in bank operations and management. The conservatorship shall not exceed one (1) year.

The conservator shall receive remuneration to be fixed by the Monetary Board in an amount not to exceed two-thirds (2/3) of the salary of the president of the institution in one (1) year, payable in twelve (12) equal monthly payments: Provided, That, if at any time within the one-year period, the conservatorship is terminated on the ground that the institution can operate on its own, the conservator shall receive the balance of the remuneration which he would have received up to the end of the year; but if the conservatorship is terminated on other grounds, the conservator shall not be entitled to such remaining balance. The Monetary Board may appoint a

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conservator connected with the Bangko Sentral, in which case he shall not be entitled to receive any remuneration or emolument from the Bangko Sentral during the conservatorship. The expenses attendant to the conservatorship shall be borne by the bank or quasi-bank concerned.

The Monetary Board shall terminate the conservatorship when it is satisfied that the institution can continue to operate on its own and the conservatorship is no longer necessary. The conservatorship shall likewise be terminated should the Monetary Board, on the basis of the report of the conservator or of its own findings, determine that the continuance in business of the institution would involve probable loss to its depositors or creditors, in which case the provisions of Section 30 shall apply.

SEC. 30. Proceedings in Receivership and Liquidation. — Whenever, upon report of the head of the supervising or examining department, the Monetary Board finds that a bank or quasi-bank:

- is unable to pay its liabilities as they become due in the ordinary course of business: Provided, That this shall not include inability to pay caused by extraordinary demands induced by financial panic in the banking community;

- has insufficient realizable assets, as determined by the Bangko Sentral, to meet its liabilities; or

- cannot continue in business without involving probable losses to its depositors or creditors; or

- has willfully violated a cease and desist order under Section 37 that has become final, involving acts or transactions which amount to fraud or a dissipation of the assets of the institution; in which cases, the Monetary Board may summarily and without need for prior hearing forbid the institution from doing business in the Philippines and designate the Philippine Deposit Insurance Corporation as receiver of the banking institution.

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

The receiver shall immediately gather and take charge of all the assets and liabilities of the institution, administer the same for the benefit of its creditors, and exercise the general powers of a receiver under the Revised Rules of Court but shall not, with the exception of administrative expenditures, pay or commit any act that will involve the transfer or disposition of any asset of the institution: Provided, That the receiver may deposit or place the funds of the institution in nonspeculative investments. The receiver shall determine as soon as possible, but not later than ninety (90) days from take-over, whether the institution may be rehabilitated or otherwise placed in such a condition so that it may be permitted to resume business with safety to its depositors and creditors and the general public: Provided, That any determination for the resumption of business of the institution shall be subject to prior approval of the Monetary Board.

If the receiver determines that the institution cannot be rehabilitated or permitted to resume business in accordance with the next preceding paragraph, the Monetary Board shall notify in writing the board of directors of its findings and direct the receiver to proceed with the liquidation of the institution. The receiver shall:

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

- convert the assets of the institution to money, dispose of the same to creditors and other parties, for the purpose of paying the debts of such institution in accordance with the rules on concurrence and preference of credit under

the Civil Code of the Philippines and he may, in the name of the institution, and with the assistance of counsel as he may retain, institute such actions as may be necessary to collect and recover accounts and assets of, or defend any action against, the institution. The assets of an institution under receivership or liquidation shall be deemed in custodia legis in the hands of the receiver and shall, from the moment the institution was placed under such receivership or liquidation, be exempt from any order of garnishment, levy, attachment, or execution.

The actions of the Monetary Board taken under this section or under Section 29 of this Act shall be final and executory, and may not be restrained or set aside by the court except on petition for certiorari on the ground that the action taken was in excess of jurisdiction or with such grave abuse of discretion as to amount to lack or excess of jurisdiction. The petition for certiorari may only be filed by the stockholders of record representing the majority of the capital stock within ten (10) days from receipt by the board of directors of the institution of the order directing receivership, liquidation or conservator ship.

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

SEC. 31. Distribution of Assets. — In case of liquidation of a bank or quasi-bank, after payment of the cost of proceedings, including reasonable expenses and fees of the receiver to be allowed by the court, the receiver shall pay the debts of such institution, under order of the court, in accordance with the rules on concurrence and preference of credit as provided in the Civil Code.

SEC. 32. Disposition of Revenues and Earnings. — All revenues and earnings realized by the receiver in winding up the affairs and administering the assets of any bank or quasi-bank within the purview of this Act shall be used to pay the costs, fees and expenses mentioned in the preceding section, salaries of such personnel whose employment is rendered necessary in the discharge of the liquidation together with other additional expenses caused thereby. The balance of revenues and earnings, after the payment of all said expenses, shall form part of the assets available for payment to creditors.

SEC. 33. Disposition of Banking Franchise. — The Bangko Sentral may, if public interest so requires, award to an institution, upon such terms and conditions as the Monetary Board may approve, the banking franchise of a bank under liquidation to operate in the area where said bank or its branches were previously operating: Provided, That whatever proceeds may be realized from such award shall be subject to the appropriate exclusive disposition of the Monetary Board.

SEC. 34. Refusal to Make Reports or Permit Examination. — Any officer, owner, agent, manager, director or officer-in-charge of any institution subject to the supervision or examination by the Bangko Sentral within the purview of this Act who, being required in writing by the Monetary Board or by the head of the supervising and examining department willfully refuses to file the required report or permit any lawful examination into the affairs of such institution shall be punished by a fine of not less than Fifty thousand pesos (P50,000) nor more than One hundred thousand pesos (P100,000) or by imprisonment of not less than one (1) year nor more than five (5) years, or both, in the discretion of the court.

SEC. 35. False Statement. — The willful making of a false or misleading statement on a material fact to the Monetary Board or to the examiners of the Bangko Sentral shall be punished by a fine of not less than One hundred thousand pesos (P100,000) nor more than Two hundred thousand pesos (P200,000), or by imprisonment of not more than five (5) years, or both, at the discretion of the court.

SEC. 36. Proceedings Upon Violation of This Act and Other Banking Laws, Rules, Regulations, Orders or

Instructions. — Whenever a bank or quasi-bank, or whenever any person or entity willfully violates this Act or other pertinent banking laws being enforced or implemented by the Bangko Sentral or any order, instruction, rule or regulation issued by the Monetary Board, the person or persons responsible for such violation shall unless otherwise provided in this Act be punished by a fine of not less than Fifty thousand pesos (P50,000) nor more than Two hundred thousand pesos (P200,000) or by imprisonment of not less than two (2) years nor more than ten (10) years, or both, at the discretion of the court.

Whenever a bank or quasi-bank persists in carrying on its business in an unlawful or unsafe manner, the Board may, without prejudice to the penalties provided in the preceding paragraph of this section and the administrative sanctions provided in Section 37 of this Act, take action under Section 30 of this Act.

SEC. 37. Administrative Sanctions on Banks and Quasi-banks. — Without prejudice to the criminal sanctions against the culpable persons provided in Sections 34, 35, and 36 of this Act, the Monetary Board may, at its discretion, impose upon any bank or quasi-bank, their directors and/or officers, for any willful violation of its charter or bylaws, willful delay in the submission of reports or publications thereof as required by law, rules and regulations; any refusal to permit examination into the affairs of the institution; any willful making of a false or misleading statement to the Board or the appropriate supervising and examining department or its examiners; any willful failure or refusal to comply with, or violation of, any banking law or any order, instruction or regulation issued by the Monetary Board, or any order, instruction or ruling by the Governor; or any commission of irregularities, and/or conducting business in an unsafe or unsound manner as may be determined by the Monetary Board, the following administrative sanctions, whenever applicable:

- fines in amounts as may be determined by the Monetary Board to be appropriate, but in no case to exceed Thirty thousand pesos (P30,000) a day for each violation, taking into consideration the attendant circumstances, such as the nature and gravity of the violation or irregularity and the size of the bank or quasi- bank;

- suspension of rediscounting privileges or access to Bangko Sentral credit facilities;

- suspension of lending or foreign exchange operations or authority to accept new deposits or make new investments;

- suspension of interbank clearing privileges; and/or

- revocation of quasi-banking license.

Resignation or termination from office shall not exempt such director or officer from administrative or criminal sanctions.

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

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

Whether or not there is an administrative proceeding, if the institution and/or the directors and/or officers concerned continue with or otherwise persist in the commission of the indicated practice or violation, the Monetary Board may issue an order requiring the institution and/or the directors and/or officers concerned to cease and desist from the indicated practice or violation, and may further order that immediate action be taken to

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correct the conditions resulting from such practice or violation. The cease and desist order shall be immediately effective upon service on the respondents.

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

The Governor is hereby authorized, at his discretion, to impose upon banking institutions, for any failure to comply with the requirements of law, Monetary Board regulations and policies, and/or instructions issued by the Monetary Board or by the Governor, fines not in excess of Ten thousand pesos (P10,000) a day for each violation, the imposition of which shall be final and executory until reversed, modified or lifted by the Monetary Board on appeal.

SEC. 38. Operating Departments of the Bangko Sentral. — The Monetary Board shall, in accordance with its authority under this Act, determine and provide for such operating departments and other offices, including a public information office, of the Bangko Sentral as it deems convenient for the proper and efficient conduct of the operations and the accomplishment of the objectives of the Bangko Sentral. The functions and duties of such operating departments and other offices shall be determined by the Monetary Board.

Article V. Reports and Publications

SEC. 39. Reports and Publications. — The Bangko Sentral shall publish a general balance sheet showing the volume and composition of its assets and liabilities as of the last working day of the month within sixty (60) days after the end of each month except for the month of December, which shall be submitted within ninety (90) days after the end thereof.

The Monetary Board shall publish and submit the following reports to the President and to the Congress:

- not later than ninety (90) days after the end of each quarter, an analysis of economic and financial developments, including the condition of net international reserves and monetary aggregates;

- within ninety (90) days after the end of the year, the preceding year's budget and profit and loss statement of the Bangko Sentral showing in reasonable detail the result of its operations;

- one hundred twenty (120) days after the end of each semester, a review of the state of the financial system; and

- as soon as practicable, abnormal movements in monetary aggregates and the general price level, and, not later than seventy-two (72) hours after they are taken, remedial measures in response to such abnormal movements.

SEC. 40. Annual Report. — Before the end of March of each year, the Bangko Sentral shall publish and submit to the President and the Congress an annual report on the condition of the Bangko Sentral including a review of the policies and measures adopted by the Monetary Board during the past year and an analysis of the economic and financial circumstances which gave rise to said policies and measures.

The annual report shall also include a statement of the financial condition of the Bangko Sentral and a statistical appendix which shall present, as a minimum, the following data:

- the monthly movement of monetary aggregates and their components;

- the monthly movement of purchases and sales of foreign exchange and of the international reserves of the Bangko Sentral;

- the balance of payments of the Philippines;

- monthly indices of consumer prices and of import and export prices;

- the monthly movement, in summary form, of exports and imports, by volume and value;

- the monthly movement of the accounts of the Bangko Sentral and of other banks;

- the principal data on government receipts and expenditures and on the status of the public debt, both domestic and foreign; and

- the texts of the major legal and administrative measures adopted by the Government and the Monetary Board during the year which relate to the functions or operations of the Bangko Sentral or of the financial system.

The Bangko Sentral shall publish another version of the annual report in terms understandable to the layman.

Failure to comply with the reportorial requirements pursuant to this article without justifiable reason as may be determined by the Monetary Board shall cause the withholding of the salary of the personnel concerned until such requirements are complied with.

SEC. 41. Signatures on Statements. — The balance sheets and other financial statements of the Bangko Sentral shall be signed by the officers responsible for their preparation, by the Governor, and by the auditor of the Bangko Sentral.

Article VI. Profits, Losses, and Special Accounts

SEC. 42. Fiscal Year. — The fiscal year of the Bangko Sentral shall begin on January first and end on December thirty-first of each year.

SEC. 43. Computation of Profits and Losses. — Within the first thirty (30) days following the end of each year, the Bangko Sentral shall determine its net profits or losses. In the calculation of net profits, the Bangko Sentral shall make adequate allowance or establish adequate reserves for bad and doubtful accounts.

SEC. 44. Distribution of Net Profits. — Within the first sixty (60) days following the end of each fiscal year, the Monetary Board shall determine and carry out the distribution of the net profits, in accordance with the following rule:

Fifty percent (50%) of the net profits shall be carried to surplus and the remaining fifty percent (50%) shall revert back to the National Treasury, except as otherwise provided in the transitory provisions of this Act.

SEC. 45. Revaluation Profits and Losses. — Profits or losses arising from any revaluation of the Bangko Sentral's net assets or liabilities in gold or foreign currencies with respect to the Philippine peso shall not be included in the computation of the annual profits and losses of the Bangko Sentral. Any profits or losses arising in this manner shall be offset by any amounts which, as a consequence of such revaluations, are owed by the Philippines to any international or regional intergovernmental financial institution of which the Philippines is a member or are owed by these institutions to the Philippines. Any remaining profit or loss shall be carried in a special frozen account which shall be named "Revaluation of International Reserve" and the net balance of which shall appear either among the liabilities or among the assets of the Bangko Sentral, depending on whether the revaluation have produced net profits or net losses.

The Revaluation of International Reserve account shall be neither credited nor debited for any purposes other than those specifically authorized in this section.

SEC. 46. Suspense Accounts. — Sections 43 and 43-A of Republic Act No. 265, as amended, creating the

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Monetary Adjustment Account (MAA) and the Exchange Stabilization Adjustment Account (ESAA), respectively, are hereby repealed. Amounts outstanding as of the effective date of this Act based on these accounts shall continue to be for the account of the Central Bank and shall be governed by the transitory provisions of this Act.

The Revaluation of International Reserve (RIR) account as of the effective date of this Act of the Central Bank shall continue to be for the account of the same entity and shall be governed by the provisions of Section 44 of Republic Act No. 265, as amended, until otherwise provided for in accordance with the transitory provisions of this Act.

Article VII. The Auditor

SEC. 47. Appointment and Personnel. — The Chairman of the Commission on Audit shall act as the ex officio auditor of the Bangko Sentral and, as such, he is empowered and authorized to appoint a representative who shall be the auditor of the Bangko Sentral and, in accordance with law, fix his salary, and to appoint and fix the salaries and number of personnel to assist said representative in his work. The salaries and other emoluments shall be paid by the Commission. The auditor of the Bangko Sentral and personnel under him may be removed only by the Chairman of the Commission.

The representative of the Chairman of the Commission must be a certified public accountant with at least ten (10) years experience as such. No relative of any member of the Monetary

Board or the Chairman of the Commission within the sixth degree of consanguinity or affinity shall be appointed such representative.

CHAPTER II
The Bangko Sentral and The Means of Payment

Article I. The Unit of Monetary Value

SEC. 48. The Peso. — The unit of monetary value in the Philippines is the "peso," which is represented by the sign "P."

The peso is divided into one hundred (100) equal parts called "centavos," which are represented by the sign "c."

Article II. Issue of Means of Payment

A. Currency

SEC. 49. Definition of Currency. — The word "currency" is hereby defined, for purposes of this Act, as meaning all Philippine notes and coins issued or circulating in accordance with the provisions of this Act.

SEC. 50. Exclusive Issue Power. — The Bangko Sentral shall have the sole power and authority to issue currency, within the territory of the Philippines. No other person or entity, public or private, may put into circulation notes, coins or any other object or document which, in the opinion of the Monetary Board, might circulate as currency, nor reproduce or imitate the facsimiles of Bangko Sentral notes without prior authority from the Bangko Sentral.

The Monetary Board may issue such regulations as it may deem advisable in order to prevent the circulation of foreign currency or of currency substitutes as well as to prevent the reproduction of facsimiles of Bangko Sentral notes.

The Bangko Sentral shall have the authority to investigate, make arrests, conduct searches and seizures in accordance with law, for the purpose of maintaining the integrity of the currency.

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Violation of this provision or of any regulation issued by the Bangko Sentral pursuant thereto shall constitute an offense punishable by imprisonment of not less than five (5) years but not more than ten (10) years. In case the Revised Penal Code provides for a greater penalty, then that penalty shall be imposed.

SEC. 51. Liability for Notes and Coins. — Notes and coins issued by the Bangko Sentral shall be liabilities of the Bangko Sentral and may be issued only against, and in amounts not exceeding, the assets of the Bangko Sentral. Said notes and coins shall be a first and paramount lien on all assets of the Bangko Sentral.

The Bangko Sentral's holdings of its own notes and coins shall not be considered as part of it's currency issue and, accordingly, shall not form part of the assets or liabilities of the Bangko Sentral.

SEC. 52. Legal Tender Power. — All notes and coins issued by the Bangko Sentral shall be fully guaranteed by the Government of the Republic of the Philippines and shall be legal tender in the Philippines for all debts, both public and private: Provided, however, That, unless otherwise fixed by the Monetary Board, coins shall be legal tender in amounts not exceeding Fifty pesos (P50) for denominations of twenty-five centavos and above, and in amounts not exceeding Twenty pesos (P20) for denominations often centavos or less.

SEC. 53. Characteristics of the Currency. — The Monetary Board, with the approval of the President of the Philippines, shall prescribe the denominations, dimensions, designs, inscriptions and other characteristics of notes issued by the Bangko Sentral: Provided, however, That said notes shall state that they are liabilities of the Bangko Sentral and are fully guaranteed by the Government of the Republic of the Philippines. Said notes shall bear the signatures, in facsimile, of the President of the Philippines and of the Governor of the Bangko Sentral.

Similarly, the Monetary Board, with the approval of the President of the Philippines, shall prescribe the weight, fineness, designs, denominations and other characteristics of the coins issued by the Bangko Sentral. In the minting of coins, the Monetary Board shall give full consideration to the availability of suitable metals and to their relative prices and cost of minting.

SEC. 54. Printing of Notes and Minting of Coins. — The Monetary Board shall prescribe the amounts of notes and coins to be printed and minted, respectively, and the conditions to which the printing of notes and the minting of coins shall be subject. The Monetary Board shall have the authority to contract institutions, mints or firms for such operations.

All expenses incurred in the printing of notes and the minting of coins shall be for the account of the Bangko Sentral.

SEC. 55. Interconvertibility of Currency. — The Bangko Sentral shall exchange, on demand and without charge, Philippine currency of any denomination for Philippine notes and coins of any other denomination requested. If for any reason the Bangko Sentral is temporarily unable to provide notes or coins of the denominations requested, it shall meet its obligations by delivering notes and coins of the denominations which most nearly approximate those requested.

SEC. 56. Replacement of Currency Unfit for Circulation. — The Bangko Sentral shall withdraw from circulation and shall demonetize all notes and coins which for any reason whatsoever are unfit for circulation and shall replace them by adequate notes and coins: Provided, however, That the Bangko Sentral shall not replace notes and coins the identification of which is impossible, coins which show signs of filing, clipping or perforation, and notes which have lost more than two-fifths (2/5) of their surface or all of the signatures inscribed thereon. Notes and coins in such mutilated condition shall be withdrawn from circulation and demonetized without compensation to the bearer.

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SEC. 57. Retirement of Old Notes and Coins. — The Bangko Sentral may call in for replacement notes of any series or denomination which are more than five (5) years old and coins which are more than ten (10) years old.

Notes and coins called in for replacement in accordance with this provision shall remain legal tender for a period of one (1) year from the date of call. After this period, they shall cease to be legal tender but during the following year, or for such longer period as the Monetary Board may determine, they may be exchanged at par and without charge in the Bangko Sentral and by agents duly authorized by the Bangko Sentral for this purpose. After the expiration of this latter period, the notes and coins which have not been exchanged shall cease to be a liability of the Bangko Sentral and shall be demonetized. The Bangko Sentral shall also demonetize all notes and coins which have been called in and replaced.

B. Demand Deposits

SEC. 58. Definition. — For purposes of this Act, the term "demand deposits" means all those liabilities of the Bangko Sentral and of other banks which are denominated in Philippine currency and are subject to payment in legal tender upon demand by the presentation of checks.

SEC. 59. Issue of Demand Deposits. — Only banks duly authorized to do so may accept funds or create liabilities payable in pesos upon demand by the presentation of checks, and such operations shall be subject to the control of the Monetary Board in accordance with the powers granted it with respect thereto under this Act.

SEC. 60. Legal Character. — Checks representing demand deposits do not have legal tender power and their acceptance in the payment of debts, both public and private, is at the option of the creditor: Provided, however, That a check which has been cleared and credited to the account of the creditor shall be equivalent to a delivery to the creditor of cash in an amount equal to the amount credited to his account.

CHAPTER IIIGuiding Principles of Monetary Administration by the Bangko SentralArticle I. Domestic Monetary Stabilization

SEC. 61. Guiding Principle. — The Monetary Board shall endeavor to control any expansion or contraction in monetary aggregates which is prejudicial to the attainment or maintenance of price stability.

SEC. 62. Power to Define Terms. — For purposes of this article and of this Act, the Monetary Board shall formulate definitions of monetary aggregates, credit and prices and shall make public such definitions and any changes thereof.

SEC. 63. Action When Abnormal Movements Occur in the Monetary Aggregates, Credit, or Price Level. — Whenever abnormal movements in the monetary aggregates, in credit, or in prices endanger the stability of the Philippine economy or important sectors thereof, the Monetary Board shall:

- take such remedial measures as are appropriate and within the powers granted to the Monetary Board and the Bangko Sentral under the provisions of this Act; and
submit to the President of the Philippines and the Congress, and make public, a detailed report which shall include, as a minimum, a description and analysis of:

- the causes of the rise or fall of the monetary aggregates, of credit or of prices;

- the extent to which the changes in the monetary aggregates, in credit, or in prices have been reflected in changes in the level of domestic output, employment, wages and economic activity in general, and the nature and significance of any such changes; and

- the measures which the Monetary Board has taken and the other monetary, fiscal or administrative measures

which it recommends to be adopted.

Whenever the monetary aggregates, or the level of credit, increases or decreases by more than fifteen percent (15%), or the cost of living index increases by more than ten percent (10%), in relation to the level existing at the end of the corresponding month of the preceding year, or even though any of these quantitative guidelines have not been reached when in its judgement the circumstances so warrant, the Monetary Board shall submit the reports mentioned in this section, and shall state therein whether, in the opinion of the Board, said changes in the monetary aggregates, credit or cost of living represent a threat to the stability of the Philippine economy or of important sectors thereof.

The Monetary Board shall continue to submit periodic reports to the President of the Philippines and to Congress until it considers that the monetary, credit or price disturbances have disappeared or have been adequately controlled.

Article II. International Monetary Stabilization

SEC. 64. International Monetary Stabilization. — The Bangko Sentral shall exercise its powers under this Act to preserve the international value of the peso and to maintain its convertibility into other freely convertible currencies primarily for, although not necessarily limited to, current payments for foreign trade and invisibles.

Sec. 65. International Reserves. — In order to maintain the international stability and convertibility of the Philippine peso, the Bangko Sentral shall maintain international reserves adequate to meet any foreseeable net demands on the Bangko Sentral for foreign currencies.

In judging the adequacy of the international reserves, the Monetary Board shall be guided by the prospective receipts and payments of foreign exchange by the Philippines. The Board shall give special attention to the volume and maturity of the Bangko Sentral's own liabilities in foreign currencies, to the volume and maturity of the foreign exchange assets and liabilities of other banks operating in the Philippines and, insofar as they are known or can be estimated, the volume and maturity of the foreign exchange assets and liabilities of all other persons and entities in the Philippines.

SEC. 66. Composition of the International Reserves. — The international reserves of the Bangko Sentral may include but shall not be limited to the following assets:

- gold; and

- assets in foreign currencies in the form of: documents and instruments customarily employed for the international transfer of funds; demand and time deposits in central banks, treasuries and commercial banks abroad; foreign government securities; and foreign notes and coins.

The Monetary Board shall endeavor to hold the foreign exchange resources of the Bangko Sentral in freely convertible currencies; moreover, the Board shall give particular consideration to the prospects of continued strength and convertibility of the currencies in which the reserve is maintained, as well as to the anticipated demands for such currencies. The Monetary Board shall issue regulations determining the other qualifications which foreign exchange assets must meet in order to be included in the international reserves of the Bangko Sentral.

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

SEC. 67. Action When the International Stability of the Peso Is Threatened. — Whenever the international reserve of the Bangko Sentral falls to a level which the Monetary Board considers inadequate to meet the prospective net

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demands on the Bangko Sentral for foreign currencies, or whenever the international reserve appears to be in imminent danger of falling to such a level, or whenever the international reserve is falling as a result of payments or remittances abroad which, in the opinion of the Monetary Board, are contrary to the national welfare, the Monetary Board shall:

- take such remedial measures as are appropriate and within the powers granted to the Monetary Board and the Bangko Sentral under the provisions of this Act; and

- submit to the President of the Philippines and to Congress a detailed report which shall include, as a minimum, a description and analysis of:

- the nature and causes of the existing or imminent decline;

- the remedial measures already taken or to be taken by the Monetary Board;

- the monetary, fiscal or administrative measures further proposed; and

- the character and extent of the cooperation required from other government agencies for the successful execution of the policies of the Monetary Board.

If the resultant actions fail to check the deterioration of the reserve position of the Bangko Sentral, or if the deterioration cannot be checked except by chronic restrictions on exchange and trade transactions or by sacrifice of the domestic objectives of a balanced and sustainable growth of the economy, the Monetary Board shall propose to the President, with appropriate notice to Congress, such additional action as it deems necessary to restore equilibrium in the international balance of payments of the Philippines.

The Monetary Board shall submit periodic reports to the President and to Congress until the threat to the international monetary stability of the Philippines has disappeared.

CHAPTER IVInstruments of Bangko Sentral ActionArticle I. General Criterion

Sec. 68. Means of Action. — In order to achieve the primary objective of price stability, the Monetary Board shall rely on its moral influence and the powers granted to it under this Act for the management of monetary aggregates.

Article II. Operations in Gold and Foreign Exchange

SEC. 69. Purchases and Sales of Gold. — The Bangko Sentral may buy and sell gold in any form, subject to such regulations as the Monetary Board may issue.

The purchases and sales of gold authorized by this section shall be made in the national currency at the prevailing international market price as determined by the Monetary Board.

SEC. 70. Purchases and Sales of Foreign Exchange. — The Bangko Sentral may buy and sell foreign notes and coins, and documents and instruments of types customarily employed for the international transfer of funds. The Bangko Sentral may engage in future exchange operations.

The Bangko Sentral may engage in foreign exchange transactions with the following entities or persons only;

- banking institutions operating in the Philippines;

- the Government, its political subdivisions and instrumentalities;

- foreign or international financial institutions;

- foreign governments and their instrumentalities; and

- other entities or persons which the Monetary Board is hereby empowered to authorize as foreign exchange dealers, subject to such rules and regulations as the Monetary Board shall prescribe.

In order to maintain the convertibility of the peso, the Bangko Sentral may, at the request of any banking institution operating in the Philippines, buy any quantity of foreign exchange offered, and sell any quantity of foreign exchange demanded by such institution, provided that the foreign currencies so offered or demanded are freely convertible into gold or United States dollars. This requirement shall not apply to demands for foreign notes and coins.

The Bangko Sentral shall effect its exchange transactions between foreign currencies and the Philippine peso at the rates determined in accordance with the provisions of Section 74 of this Act.

SEC. 71. Foreign Asset Position of the Bangko Sentral. — The Bangko Sentral shall endeavor to maintain at all times a net positive foreign asset position so that its gross foreign exchange assets will always exceed its gross foreign liabilities. In the event that the equivalent amount in pesos of the foreign exchange liabilities of the Bangko Sentral exceed twice the equivalent amount in pesos of the foreign exchange assets of the bank, the Bangko Sentral shall, within sixty (60) days from the date the limit is exceeded, submit a report to the Congress stating the origin of these liabilities, and the manner in which they will be paid.

SEC. 72. Emergency Restrictions on Exchange Operations. — In order to achieve the primary objective of the Bangko Sentral as set forth in Section 3 of this Act, or protect the international reserves of the Bangko Sentral in the imminence of, or during an exchange crisis, or in time of national emergency and to give the Monetary Board and the Government time in which to take constructive measures to forestall, combat, or overcome such a crisis or emergency, the Monetary Board, with the concurrence of at least five (5) of its members and with the approval of the President of the Philippines, may temporarily suspend or restrict sales of exchange by the Bangko Sentral, and may subject all transactions in gold and foreign exchange to license by the Bangko Sentral, and may require that any foreign exchange thereafter obtained by any person residing or entity operating in the Philippines be delivered to the Bangko Sentral or to any bank or agent designated by the Bangko Sentral for the purpose, at the effective exchange rate or rates: Provided, however, That foreign currency deposits made under Republic Act No. 6426 shall be exempt from these requirements.

SEC. 73. Acquisition of Inconvertible Currencies. — The Bangko Sentral shall avoid the acquisition and holding of currencies which are not freely convertible, and may acquire such currencies in an amount exceeding the minimum balance necessary to cover current demands for said currencies only when, and to the extend that, such acquisition is considered by the Monetary Board to be in the national interest. The Monetary Board shall determine the procedures which shall apply to the acquisition and disposition by the Bangko Sentral of foreign exchange which is not freely utilizable in the international market.

SEC. 74. Exchange Rates. — The Monetary Board shall determine the exchange rate policy of the country.

The Monetary Board shall determine the rates at which the Bangko Sentral shall buy and sell spot exchange, and shall establish deviation limits from the effective exchange rate or rates as it may deem proper. The Bangko Sentral shall not collect any additional commissions or charges of any sort, other than actual telegraphic or cable costs incurred by it.

The Monetary Board shall similarly determine the rates for other types of foreign exchange transactions by the Bangko Sentral, including purchases and sales of foreign notes and coins, but the margins between the effective exchange rates and the rates thus established may not exceed the corresponding margins for spot exchange

transactions by more than the additional costs or expenses involved in each type of transactions.

SEC. 75. Operations with Foreign Entities. — The Monetary Board may authorize the Bangko Sentral to grant loans to and receive loans from foreign banks and other foreign or international entities, both public and private, and may engage in such other operations with these entities as are in the national interest and are appropriate to its character as a central bank. The Bangko Sentral may also act as agent or correspondent for such entities.

Upon authority of the Monetary Board, the Bangko Sentral may pledge any gold or other assets which it possesses as security against loans which it receives from foreign or international entities.

Article III. Regulation of Foreign Exchange Operations of the Banks

SEC. 76. Foreign Exchange Holdings of the Banks. — In order that the Bangko Sentral may at all times have foreign exchange resources sufficient to enable it to maintain the international stability and convertibility of the peso, or in order to promote the domestic investment of bank resources, the Monetary Board may require the banks to sell to the Bangko Sentral or to other banks all or part of their surplus holdings of foreign exchange. Such transfers may be required for all foreign currencies or for only certain of such currencies, according to the decision of the Monetary Board. The transfers shall be made at the rates established under the provisions of Section 74 of this Act.

The Monetary Board may, whenever warranted, determine the net assets and net liabilities of banks and shall, in making such a determination, take into account the bank's networth, outstanding liabilities, actual and contingent, or such other financial or performance ratios as may be appropriate under the circumstances. Any such determination of net assets and net liabilities shall be applied to all banks uniformly and without discrimination.

Sec. 77. Requirement of Balanced Currency Position. — The Monetary Board may require the banks to maintain a balanced position between their assets and liabilities in Philippine pesos or in any other currency or currencies in which they operate. The banks shall be granted a reasonable period of time in which to adjust their currency positions to any such requirement.

The powers granted under this section shall be exercised only when special circumstances make such action necessary, in the opinion of the Monetary Board, and shall be applied to all banks alike and without discrimination.

SEC. 78. Regulation of Non-spot Exchange Transactions. — In order to restrain the banks from taking speculative positions with respect to future fluctuations in foreign exchange rates, the Monetary Board may issue such regulations governing bank purchases and sales of non-spot exchange as it may consider necessary for said purpose.

SEC. 79. Other Exchange Profits and Losses. — The banks shall bear the risks of noncompliance with the terms of the foreign exchange documents and instruments which they buy or sell, and shall also bear any other typically commercial or banking risks, including exchange risks not assumed by the Bangko Sentral under the provisions of the preceding section.

SEC. 80. Information on Exchange Operations. — The banks shall report to the Bangko Sentral the volume and composition of their purchases and sales of gold and foreign exchange each day, and must furnish such additional information as the Bangko Sentral may request with reference to the movements in their accounts in foreign currencies.

The Monetary Board may also require other persons and entities to report to it currently all transactions or operations in gold, in any shape or form, and in foreign exchange whether entered into or undertaken by them

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directly or through agents, or to submit such data as may be required on operations or activities giving rise to or in connection with or relating to a gold or foreign exchange transaction. The Monetary Board shall prescribe the forms on which such declarations must be made.

The accuracy of the declarations may be verified by the Bangko Sentral by whatever inspection it may deem necessary.

Article IV. Loans to Banking and Other Financial InstitutionsA. Credit Policy

SEC. 81. Guiding Principles. — The rediscounts, discounts, loans and advances which the Bangko Sentral is authorized to extend to banking institutions under the provisions of the present article of this Act shall be used to influence the volume of credit consistent with the objective of price stability.

B. Normal Credit Operations

Sec. 82. Authorized Types of Operations. — Subject to the principle stated in the preceding section of this Act, the Bangko Sentral may normally and regularly carry on the following credit operations with banking institutions operating in the Philippines:

- Commercial credits. — The Bangko Sentral may rediscount, discount, buy and sell bills, acceptances, promissory notes and other credit instruments with maturities of not more than one hundred eighty (180) days from the date of their rediscount, discount or acquisition by the Bangko Sentral and resulting from transactions related to:

- the importation, exportation, purchase or sale of readily saleable goods and products, or their transportation within the Philippines; or

- the storing of nonperishable goods and products which are duly insured and deposited, under conditions assuring their preservation, in authorized bonded warehouses or in other places approved by the Monetary Board.

- Production credits. — The Bangko Sentral may rediscount, discount, buy and sell bills, acceptances, promissory notes and other credit instruments having maturities of not more than three hundred sixty (360) days from the date of their rediscount, discount or acquisition by the Bangko Sentral and resulting from transactions related to the production or processing of agricultural, animal, mineral, or industrial products. Documents or instruments acquired in accordance with this subsection shall be secured by a pledge of the respective crops or products: Provided, however, That the crops or products need not be pledged to secure the documents if the original loan granted by the Bangko Sentral is secured by a lien or mortgage on real estate property seventy percent (70%) of the appraised value of which equals or exceeds the amount of the loan granted.

- Other credits. — Special credit instruments not otherwise rediscountable under the immediately preceding subsections (a) and (b) may be eligible for rediscounting in accordance with rules and regulations which the Bangko Sentral shall prescribe. Whenever necessary, the Bangko Sentral shall provide funds from noninflationary sources: Provided, however, That the Monetary Board shall prescribe additional safeguards for disbursing these funds.

- Advances. — The Bangko Sentral may grant advances against the following kinds of collaterals for fixed periods which, with the exception of advances against the collateral named in clause (4) of the present subsection, shall not exceed one hundred eighty (180) days:

- gold coins or bullion;

- securities representing obligations of the Bangko Sentral or of other domestic credit institutions of recognized solvency;

- the credit instruments to which reference is made in subsection (a) of this section;

- the credit instruments to which reference is made in subsection (b) of this section, for periods which shall not exceed three hundred sixty (360) days;

- utilized portions of advances in current account covered by regular overdraft agreements related to operations included under subsections (a) and (b) of this section, and certified as to amount and liquidity by the institution soliciting the advance;

- negotiable treasury bills, certificates of indebtedness, notes and other negotiable obligations of the Government maturing within three (3) years from the date of the advance; and

- negotiable bonds issued by the Government of the Philippines, by Philippine provincial, city or municipal governments, or by any Philippine Government instrumentality, and having maturities of not more than ten (10) years from the date of the advance.

The rediscounts, discounts, loans and advances made in accordance with the provisions of this section may not be renewed or extended unless extraordinary circumstances fully justify such renewal or extension.

Advances made against the collateral named in clauses (6) and (7) of subsection (d) of this section may not exceed eighty percent (80%) of the current market value of the collateral.

C. Special Credit Operation

SEC. 83. Loans for Liquidity Purposes. — The Bangko Sentral may extend loans and advances to banking institutions for a period of not more than seven (7) days without any collateral for the purpose of providing liquidity to the banking system in times of need.

D. Emergency Credit Operation

SEC. 84. Emergency Loans and Advances. — In periods of national and/or local emergency or of imminent financial panic which directly threaten monetary and banking stability, the Monetary Board may, by a vote of at least five (5) of its members, authorize the Bangko Sentral to grant extraordinary loans or advances to banking institutions secured by assets as defined hereunder: Provided, That while such loans or advances are outstanding, the debtor institution shall not, except upon prior authorization by the Monetary Board, expand the total volume of its loans or investments.

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

The amount of any emergency loan or advance shall not exceed the sum of fifty percent (50%) of total deposits and deposit substitutes of the banking institution and shall be disbursed in two (2) or more tranches. The amount of the first tranche shall be limited to twenty-five percent (25%) of the total deposit and deposit substitutes of the institution and shall be secured by government securities to the extent of their applicable loan values and other unencumbered first class collaterals which the Monetary Board may approve: Provided, That if as determined by the Monetary Board, the circumstances surrounding the emergency warrant a loan or advance greater than the amount provided hereinabove, the amount of the first tranche may exceed twenty-five percent (25%) of the bank's total deposit and deposit substitutes if the same is adequately secured by applicable loan values of government

securities and unencumbered first class collaterals approved by the Monetary Board, and the principal stockholders of the institution furnish an acceptable undertaking to indemnify and hold harmless from suit a conservator whose appointment the Monetary Board may find necessary at any time.

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

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

- furnish an acceptable undertaking to indemnify and hold harmless from suit a conservator whose appointment the Monetary Board may find necessary at any time; and

- provide acceptable security which, in the judgment of the Monetary Board, would be adequate to supplement, where necessary, the assets tendered by the banking institution to collaterize the subsequent tranche.

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

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

E. Credit Terms

SEC. 85. Interest and Rediscount Rates. — The Bangko Sentral shall collect interest and other appropriate charges on all loans and advances it extends, the closure, receivership or liquidation of the debtor-institution notwithstanding. This provision shall apply prospectively.

The Monetary Board shall fix the interest and rediscount rates to be charged by the Bangko Sentral on its credit operations in accordance with the character and term of the operation, but after due consideration has been given to the credit needs of the market, the composition of the Bangko Sentral's portfolio, and the general requirements of the national monetary policy. Interest and rediscount rates shall be applied to all banks of the same category uniformly and without discrimination.

SEC. 86. Endorsement. — The documents rediscounted, discounted, bought or accepted as collateral by the Bangko Sentral in the course of the credit operations authorized in this article shall bear the endorsement of the institution from which they are received.

SEC. 87. Repayment of Credits. — Documents rediscounted, discounted or accepted as collateral by the Bangko Sentral must be withdrawn by the borrowing institution on the dates of their maturities, or upon liquidation of the obligations which they represent or to which they relate whenever said obligations have been liquidated prior to their dates of maturity.

Banks shall have the right at any time to withdraw any documents which they have presented to the Bangko Sentral as collateral, upon payment in full of the corresponding debt to the Bangko Sentral, including interest charges.

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SEC. 88. Other Requirements. — The Monetary Board may prescribe, within the general powers granted to it under this Act, additional conditions which borrowing institutions must satisfy in order to have access to the credit of the Bangko Sentral. These conditions may refer to the rates of interest charged by the banks, to the purposes for which their loans in general are destined, and to any other clearly definable aspect of the credit policy of the bank.

SEC. 89. Provisional Advances to the National Government. — The Bangko Sentral may make direct provisional advances with or without interest to the National Government to finance expenditures authorized in its annual appropriation: Provided, That said advances shall be repaid before the end of three (3) months extendible by another three (3) months as the Monetary Board may allow following the date the National Government received such provisional advances and shall not, in their aggregate, exceed twenty percent (20%) of the average annual income of the borrower for the last three (3) preceding fiscal years.

Article V. Open Market Operations for the Account of the Bangko Sentral

SEC. 90. Principles of Open Market Operations. — The open market purchases and sales of securities by the Bangko Sentral shall be made exclusively in accordance with its primary objective of achieving price stability.

SEC. 91. Purchases and Sales of Government Securities. — In order to achieve the objectives of the national monetary policy, the Bangko Sentral may, in accordance with the principle stated in Section 90 of this Act and with such rules and regulations as may be prescribed by the Monetary Board, buy and sell in the open market for its own account:

- evidences of indebtedness issued directly by the Government of the Philippines or by its political subdivisions; and

- evidences of indebtedness issued by government instrumentalities and fully guaranteed by the Government

The evidences of indebtedness acquired under the provisions of this section must be freely negotiable and regularly serviced and must be available to the general public through banking institutions and local government treasuries in denominations of a thousand pesos or more.

SEC. 92. Issue and Negotiation of Bangko Sentral Obligations. — In order to provide the Bangko Sentral with effective instruments for open market operations, the Bangko Sentral may, subject to such rules and regulations as the Monetary Board may prescribe and in accordance with the principles stated in Section 90 of this Act, issue, place, buy and sell freely negotiable evidences of indebtedness of the Bangko Sentral: Provided, That issuance of such certificates of indebtedness shall be made only in cases of extraordinary movement in price levels. Said evidences of indebtedness may be issued directly against the international reserve of the Bangko Sentral or against the securities which it has acquired under the provisions of Section 91 of this Act, or may be issued without relation to specific types of assets of the Bangko Sentral.

The Monetary Board shall determine the interest rates, maturities and other characteristics of said obligations of the Bangko Sentral, and may, if it deems it advisable, denominate the obligations in gold or foreign currencies.

Subject to the principles stated in Section 90 of this Act, the evidences of indebtedness of the Bangko Sentral to which this section refers may be acquired by the Bangko Sentral before their maturity, either through purchases in the open market or through redemptions at par and by lot if the Bangko Sentral has reserved the right to make such redemptions. The evidences of indebtedness acquired or redeemed by the Bangko Sentral shall not be included among its assets, and shall be immediately retired and cancelled.

Article VI. Composition of Bangko Sentral's Portfolio

SEC. 93. Review of the Bangko Sentral's Portfolio. — At least once every month the Monetary Board shall review

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the portfolio of the Bangko Sentral in relation to its future credit policy.

In reviewing the Bangko Sentral's portfolio, the Monetary Board shall especially consider whether a sufficiently large part of the portfolio consists of assets with early maturities, in order that a contraction in Bangko Sentral credit may be effected promptly whenever the national monetary policy so requires.

Article VII. Bank Reserves

SEC. 94. Reserve Requirements. — In order to control the volume of money created by the credit operations of the banking system, all banks operating in the Philippines shall be required to maintain reserves against their deposit liabilities: Provided, That the Monetary Board may, at its discretion, also require all banks and/or quasi-banks to maintain reserves against funds held in trust and liabilities for deposit substitutes as defined in this Act. The required reserves of each bank shall be proportional to the volume of its deposit liabilities and shall ordinarily take the form of a deposit in the Bangko Sentral. Reserve requirements shall be applied to all banks of the same category uniformly and without discrimination.

Reserves against deposit substitutes, if imposed, shall be determined in the same manner as provided for reserve requirements against regular bank deposits, with respect to the imposition, increase, and computation of reserves.

The Monetary Board may exempt from reserve requirements deposits and deposit substitutes with remaining maturities of two (2) years or more, as well as interbank borrowings.

Since the requirement to maintain bank reserves is imposed primarily to control the volume of money, the Bangko Sentral shall not pay interest on the reserves maintained with it unless the Monetary Board decides otherwise as warranted by circumstances.

SEC. 95. Definition of Deposit Substitutes. — The term "deposit substitutes" is defined as an alternative form of obtaining funds from the public, other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrower's own account, for the purpose of relending or purchasing of receivables and other obligations. These instruments may include, but need not be limited to, bankers acceptances, promissory notes, participations, certificates of assignment and similar instruments with recourse, and repurchase agreements. The Monetary Board shall determine what specific instruments shall be considered as deposit substitutes for the purposes of Section 94 of this Act: Provided, however, That deposit substitutes of commercial, industrial and other nonfinancial companies issued for the limited purpose of financing their own needs or the needs of their agents or dealers shall not be covered by the provisions of Section 94 of this Act.

SEC. 96. Required Reserves Against Peso Deposits. — The Monetary Board may fix and, when it deems necessary, alter the minimum reserve ratios to peso deposits, as well as to deposit substitutes, which each bank and/or quasi-bank may maintain, and such ratio shall be applied uniformly to all banks of the same category as well as to quasi-banks.

SEC. 97. Required Reserves Against Foreign Currency Deposits. — The Monetary Board is similarly authorized to prescribe and modify the minimum reserve ratios applicable to deposits denominated in foreign currencies.

SEC. 98. Reserves Against Unused Balances of Overdraft Lines. — In order to facilitate Bangko Sentral control over the volume of bank credit, the Monetary Board may establish minimum reserve requirements for unused balances of overdraft lines.

The powers of the Monetary Board to prescribe and modify reserve requirements against unused balances of overdraft lines shall be the same as its powers with respect to reserve requirements against demand deposits.

SEC. 99. Increase in Reserve Requirements. — Whenever in the opinion of the Monetary Board it becomes

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necessary to increase reserve requirements against existing liabilities, the increase shall be made in a gradual manner and shall not exceed four percentage points in any thirty-day period. Banks and other affected financial institutions shall be notified reasonably in advance of the date on which such increase is to become effective.

SEC. 100. Computation on Reserves. — The reserve position of each bank or quasi-bank shall be calculated daily on the basis of the amount, at the close of business for the day, of the institution's reserves and the amount of its liability accounts against which reserves are required to be maintained: Provided, That with reference to holidays or nonbanking days, the reserve position as calculated at the close of the business day immediately preceding such holidays and nonbanking days shall apply on such days.

For the purpose of computing the reserve position of each bank or quasi-bank, its principal office in the Philippines and all its branches and agencies located therein shall be considered as a single unit.

SEC. 101. Reserve Deficiencies. — Whenever the reserve position of any bank or quasi-bank, computed in the manner specified in the preceding section of this Act, is below the required minimum, the bank or quasi-bank shall pay the Bangko Sentral one-tenth of one percent (1/10 of 1%) per day on the amount of the deficiency or the prevailing ninety-one-day treasury bill rate plus three percentage points, whichever is higher: Provided, however, That banks and quasi-banks shall ordinarily be permitted to offset any reserve deficiency occurring on one or more days of the week with any excess reserves which they may hold on other days of the same week and shall be required to pay the penalty only on the average daily deficiency during the week. In cases of abuse, the Monetary Board may deny any bank or quasi-bank the privilege of offsetting reserve deficiencies in the aforesaid manner.

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

The Monetary Board may modify or set aside the reserve deficiency penalties provided in this section, for part or the entire period of a strike or lockout affecting a bank or a quasi-bank as defined in the Labor Code, or of a national emergency affecting operations of banks or quasi-banks. The Monetary Board may also modify or set aside reserved deficiency penalties for rehabilitation program of a bank.

SEC. 102. Interbank Settlement. — The Bangko Sentral shall establish facilities for interbank clearing under such rules and regulations as the Monetary Board may prescribe: Provided, That the Bangko Sentral may charge administrative and other fees for the maintenance of such facilities.

The deposit reserves maintained by the banks in the Bangko Sentral in accordance with the provisions of Section 94 of this Act shall serve as basis for the clearing of checks and the settlement of interbank balances, subject to such rules and regulations as the Monetary Board may issue with respect to such operations: Provided, That any bank which incurs on overdrawing in its deposit account with the Bangko Sentral shall fully cover said overdraft, including interest thereon at a rate equivalent to one-tenth of one percent (1/10 of 1%) per day or the prevailing ninety-one-day treasury bill rate plus three percentage points, whichever is higher, not later than the next clearing day: Provided, further, That settlement of clearing balances shall not be effected for any account which continues to be overdrawn for five (5) consecutive banking days until such time as the overdrawing is fully covered or otherwise converted into an emergency loan or advance pursuant to the provisions of Section 84 of this Act: Provided, finally, That the appropriate clearing office shall be officially notified of banks with overdrawn balances. Banks with existing overdrafts with the Bangko Sentral as of the effectivity of this Act shall, within such period as may be prescribed by the Monetary Board, either convert the overdraft into an emergency loan or advance with a plan of payment, or settle such overdrafts, and that, upon failure to so comply herewith, the Bangko Sentral shall take such action against the bank as may be warranted under this Act.

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SEC 103. Exemption from Attachment and other Purposes. — Deposits maintained by banks with the Bangko Sentral as part of their reserve requirements shall be exempt from attachment, garnishment, or any other order or process of any court, government agency or any other administrative body issued to satisfy the claim of a party other than the Government, or its political subdivisions or instrumentalities.

Article VIII. Selective Regulation of Bank Operations

SEC. 104. Guiding Principle. — The Monetary Board shall use the powers granted to it under this Act to ensure that the supply, availability and cost of money are in accord with the needs of the Philippine economy and that bank credit is not granted for speculative purposes prejudicial to the national interests. Regulations on bank operations shall be applied to all banks of the same category uniformly and without discrimination.

SEC. 105. Margin Requirements Against Letters of Credit. — The Monetary Board may at any time prescribe minimum cash margins for the opening of letters of credit, and may relate the size of the required margin to the nature of the transaction to be financed.

SEC. 106. Required Security Against Bank Loans. — In order to promote liquidity and solvency of the banking system, the Monetary Board may issue such regulations as it may deem necessary with respect to the maximum permissible maturities of the loans and investments which the banks may make, and the kind and amount of security to be required against the various types of credit operations of the banks.

SEC. 107. Portfolio Ceilings. — Whenever the Monetary Board considers it advisable to prevent or check an expansion of bank credit, the Board may place an upper limit on the amount of loans and investments which the banks may hold, or may place a limit on the rate of increase of such assets within specified periods of time. The Monetary Board may apply such limits to the loans and investments of each bank or to specific categories thereof.

In no case shall the Monetary Board establish limits which are below the value of the loans or investments of the banks on the date on which they are notified of such restrictions. The restrictions shall be applied to all banks uniformly and without discrimination.

SEC. 108. Minimum Capital Ratios. — The Monetary Board may prescribe minimum ratios which the capital and surplus of the bank must bear to the volume of their assets, or to specific categories thereof, and may alter said ratios whenever it deems necessary.

Article IX. Coordination of Credit Policies by Government Institutions

Sec. 109. Coordination of Credit Policies. — Government-owned corporations which perform banking or credit functions shall coordinate their general credit policies with those of the Monetary Board.

Toward this end, the Monetary Board may, whenever it deems it expedient, make suggestions or recommendations to such corporations for the more effective coordination of their policies with those of the Bangko Sentral.

CHAPTERVFunctions as Banker and Financial Advisor of the GovernmentArticle I. Functions as Banker of the Government

SEC. 110. Designation of Bangko Sentral as Banker of the Government. — The Bangko Sentral shall act as a banker of the Government, its political subdivisions and instrumentalities.

SEC. 111. Representation with the International Monetary Fund. — The Bangko Sentral shall represent the Government in all dealings, negotiations and transactions with the International Monetary Fund and shall carry such accounts as may result from Philippine membership in, or operations with, said Fund.

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SEC. 112. Representation with Other Financial Institutions. — The Bangko Sentral may be authorized by the Government to represent it in dealings, negotiations or transactions with the International Bank for Reconstruction and Development and with other foreign or international financial institutions or agencies. The President may, however, designate any of his other financial advisors to jointly represent the Government in such dealings, negotiations or transactions.

SEC. 113. Official Deposits. — The Bangko Sentral shall be the official depository of the Government, its political subdivisions and instrumentalities as well as of government-owned or controlled corporations and, as a general policy, their cash balances should be deposited with the Bangko Sentral, with only minimum working balances to be held by government-owned banks and such other banks incorporated in the Philippines as the Monetary Board may designate, subject to such rules and regulations as the Board may prescribe: Provided, That such banks may hold deposits of the political subdivisions and instrumentalities of the Government beyond their minimum working balances whenever such subdivisions and instrumentalities have outstanding loans with said banks.

The Bangko Sentral may pay interest on deposits of the Government or of its political subdivisions and instrumentalities, as well as on deposits of banks with the Bangko Sentral.

SEC. 114. Fiscal Operations. — The Bangko Sentral shall open a general cash account for the Treasurer of the Philippines, in which the liquid funds of the Government shall be deposited.

Transfers of funds from this account to other accounts shall be made only upon order of the Treasurer of the Philippines.

SEC. 115. Other Banks as Agents of the Bangko Sentral. — In the performance of its functions as fiscal agent, the Bangko Sentral may engage the services of other government-owned and controlled banks and of other domestic banks for operations in localities at home or abroad in which the Bangko Sentral does not have offices or agencies adequately equipped to perform said operations: Provided, however, That for fiscal operations in foreign countries, the Bangko Sentral may engage the services of foreign banking and financial institutions.

SEC. 116. Remuneration for Services. — The Bangko Sentral may charge equitable rates, commissions or fees for services which it renders to the Government, its political subdivisions and instrumentalities.

Article II. The Marketing And Stabilization of Securities for the Account of the GovernmentA. The Issue and Placing of Government Securities

SEC. 117. Issue of Government Obligations. — The issue of securities representing obligations of the Government, its political subdivisions or instrumentalities, may be made through the Bangko Sentral, which may act as agent of, and for the account of, the Government or its respective subdivisions or instrumentality, as the case may be: Provided, however, That the Bangko Sentral shall not guarantee the placement of said securities, and shall not subscribe to their issue except to replace its maturing holdings of securities with the same type as the maturing securities.

SEC. 118. Methods of Placing Government Securities. — The Bangko Sentral may place the securities to which the preceding section refers through direct sale to financial institutions and the public.

The Bangko Sentral shall not be a member of any stock exchange or syndicate, but may intervene therein for the sole purpose of regulating their operations in the placing of government securities.

The Government, or its political subdivisions or instrumentalities, shall reimburse the Bangko Sentral for the expenses incurred in the placing of the aforesaid securities.

SEC. 119. Servicing and Redemption of the Public Debt. — The servicing and redemption of the public debt shall

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also be effected through the Bangko Sentral.

B. Bangko Sentral Support of the Government Securities Market

Sec. 120. The Securities Stabilization Fund. — There shall be established a "Securities Stabilization Fund" which shall be administered by the Bangko Sentral for the account of the Government.

The operations of the Securities Stabilization Fund shall consist of purchases and sales, in the open market, of bonds and other evidences of indebtedness issued or fully guaranteed by the Government. The purpose of these operations shall be to increase the liquidity and stabilize the value of said securities in order thereby to promote private investment in government obligations.

The Monetary Board shall use the resources of the Fund to prevent, or moderate, sharp fluctuations in the quotations of said government obligations, but shall not endeavor to alter movements of the market resulting from basic changes in the pattern or level of interest rates.

The Monetary Board shall issue such regulations as may be necessary to implement the provisions of this section.

SEC. 121. Resources of the Securities Stabilization Fund. — Subject to Section 132 of this Act, the resources of the Securities Stabilization Fund shall come from the balance of the fund as held by the Central Bank under Republic Act No. 265 as of the effective date of this Act.

SEC. 122. Profits and Losses of the Fund. — The Securities Stabilization Fund shall retain any net profits which it may make on its operations, regardless of whether said profits arise from capital gains or from interest earnings. The Fund shall correspondingly bear any net losses which it may incur.

Article III. Functions as Financial Advisor of the Government

SEC. 123. Financial Advice on Official Credit Operations. — Before undertaking any credit operation abroad, the Government, through the Secretary of Finance, shall request the opinion, in writing, of the Monetary Board on the monetary implications of the contemplated action. Such opinions must similarly be requested by all political subdivisions and instrumentalities of the Government before any credit operation abroad is undertaken by them.

The opinion of the Monetary Board shall be based on the gold and foreign exchange resources and obligations of the nation and on the effects of the proposed operation on the balance of payments and on monetary aggregates.

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.

SEC. 124. Representation on the National Economic and Development Authority. — In order to assure effective coordination between the economic, financial and fiscal policies of the Government and the monetary, credit and exchange policies of the Bangko Sentral, the Deputy Governor designated by the Governor of the Bangko Sentral shall be an ex officio member of the National Economic and Development Authority Board.

CHAPTER VIPrivileges and ProhibitionsArticle I. Privileges

SEC. 125. Tax Exemptions. — The Bangko Sentral shall be exempt for a period of five (5) years from the approval of this Act from all national, provincial, municipal and city taxes, fees, charges and assessments.

The exemptions authorized in the preceding paragraph of this section shall apply to all property of the Bangko Sentral, to the resources, receipts, expenditures, profits and income of the Bangko Sentral, as well as to all

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contracts, deeds, documents and transactions related to the conduct of the business of the Bangko Sentral: Provided, however, That said exemptions shall apply only to such taxes, fees, charges and assessments for which the Bangko Sentral itself would otherwise be liable, and shall not apply to taxes, fees, charges, or assessments payable by persons or other entities doing business with the Bangko Sentral: Provided, further, That foreign loans and other obligations of the Bangko Sentral shall be exempt, both as to principal and interest, from any and all taxes if the payment of such taxes has been assumed by the Bangko Sentral.

SEC. 126. Exemption from Customs Duties. — The provision of any general or special law to the contrary notwithstanding, the importation and exportation by the Bangko Sentral of notes and coins, and of gold and other metals to be used for purposes authorized under this Act, and the importation of all equipment needed for bank note production, minting of coins, metal refining and other security printing operations shall be fully exempt from all customs duties and consular fees and from all other taxes, assessments and charges related to such importation or exportation.

SEC. 127. Applicability of the Civil Service Law. — Appointments in the Bangko Sentral, except as to those which are policy-determining, primarily confidential or highly technical in nature, shall be made only according to the Civil Service Law and regulations: Provided, That no qualification requirements for positions in the Bangko Sentral shall be imposed other than those set by the Monetary Board: Provided, further, That, the Monetary Board or Governor, in accordance with Sections 15(c) and 17(d) of this Act, respectively, may without need of obtaining prior approval from any other government agency, appoint personnel in the Bangko Sentral whose services are deemed necessary in order not to unduly disrupt the operations of the Bangko Sentral.

Officers and employees of the Bangko Sentral, including all members of the Monetary Board, shall not engage directly or indirectly in partisan activities or take part in any election except to vote.

Article II. Prohibitions

SEC. 128. Prohibitions. — The Bangko Sentral shall not acquire shares of any kind or accept them as collateral, and shall not participate in the ownership or management of any enterprise, either directly or indirectly.

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

CHAPTER VIITransitory Provisions

SEC. 129. Phase-out of Fiscal Agency Functions. — Unless circumstances warrant otherwise and approved by the Congress Oversight Committee, the Bangko Sentral shall, within a period of three (3) years but in no case longer than five (5) years from the approval of this Act, phase out all fiscal agency functions provided for in Sections 117,118,119, and 120 as well as in other pertinent provisions of this Act and transfer the same to the Department of Finance.

SEC. 130. Phase-out of Regulatory Powers Over the Operations of Finance Corporations and Other Institutions Performing Similar Functions. — The Bangko Sentral shall, within a period of five (5) years from the effectivity of this Act, phase out its regulatory powers over finance companies without quasi-banking functions and other institutions performing similar functions as provided in existing laws, the same to be assumed by the Securities and Exchange Commission.

SEC. 131. Implementing Details. — The Bangko Sentral shall be made operational by the performance of the following acts:

- the President shall constitute the Monetary Board by appointing the members thereof within sixty (60) days from

the effectivity of this Act; and

- the transfer of such assets and liabilities from the Central Bank to the Bangko Sentral as provided in Section 132 shall be completed within ninety (90) days from the constitution of the Monetary Board.

All incumbent personnel in the Central Bank as of the date of the approval of this Act shall continue to exercise their duties and functions as personnel of the Bangko Sentral subject to the provisions of Section 133: Provided, That such personnel in the Central Bank as may be necessary for the purpose of implementing Section 132 may be assigned by the Bangko Sentral Monetary Board to the Central Bank.

SEC. 132. Transfer of Assets and Liabilities. — Upon the effectivity of this Act, three (3) members of the Monetary Board, which may include the Governor, in representation of the Bangko Sentral, the Secretary of Finance and the Secretary of Budget and Management in representation of the National Government, and the Chairmen of the Committees on Banks of the Senate and the House of Representatives shall determine the assets and liabilities of the Central Bank which may be transferred to or assumed by the Bangko Sentral. The Committee shall complete its work within ninety (90) days from the constitution of the Monetary Board submitting a comprehensive report with all its findings and justification.

The following guidelines shall be strictly observed in the determination of which assets and liabilities shall be transferred to the Bangko Sentral:

- the Monetary Board and the Secretary of Finance shall have primary responsibility for working out creative monetary and financial solutions to retire the Central Bank liabilities and losses at the least cost to the Government;

- the Bangko Sentral shall remit seventy-five percent (75%) of its net profits to a special deposit account (sinking fund) until such time as the net liabilities of the Central Bank shall have been liquidated through generally accepted finance mechanisms such as, but not limited to, write-offs, set-offs, condonation, collections, reappraisal, revaluation and bond issuance by the National Government, or to the National Government as dividends;

- the assets and liabilities to be transferred shall be limited to an amount that will enable the Bangko Sentral to perform its responsibilities adequately and operate on a viable basis: Provided, That the assets shall exceed the liabilities as certified by the Commission on Audit (COA), by an initial amount of Ten billion pesos (P10,000,000,000);

- liabilities to be assumed by the Bangko Sentral shall include liability for notes and coins in circulation as of the effective date of this Act; and

- any asset or liability of the Central Bank not transferred to the Bangko Sentral shall be retained and administered, disposed of and liquidated by the Central Bank itself which shall continue to exist as the CB Board of Liquidators only for the purposes provided in this paragraph but not later than twenty-five (25) years or until such time that liabilities have been liquidated: Provided, That the Bangko Sentral may financially assist the Central Bank Board of Liquidators in the liquidation of CB liabilities: Provided, finally, That upon disposition of said retained assets and liquidation of said retained liabilities, the Central Bank shall be deemed abolished.

All actions taken by the Bangko Sentral Monetary Board under this section shall be reported to Congress and the President within thirty (30) days.

SEC. 133. Mandate to Organize. — The Bangko Sentral shall be organized by the Monetary Board without being subject to the provisions of Republic Act No. 7430, by adopting if it so desires, an entirely new staffing pattern on organizational structure to suit the operations of the Bangko Sentral under this Act. No preferential or priority

right shall be given to or enjoyed by any personnel for appointment to any position in the new staffing pattern, nor shall any personnel be considered as having prior or vested rights with respect to retention in the Bangko Sentral or in any position which may be created in the new staffing pattern, even if he should be the incumbent of a similar position prior to organization. The formulation of the program of organization shall be completed within six (6) months after the effectivity of this Act, and shall be fully implemented within a period of six (6) months thereafter. Personnel who may not be retained are deemed separated from the service.

SEC. 134. Separation Benefits. — Pursuant to Section 15 of this Act, the Monetary Board is authorized to provide separation incentives, and all those who shall retire or be separated from the service on account of reorganization under the preceding section shall be entitled to such incentives, which shall be in addition to all gratuities and benefits to which they may be entitled under existing laws.

SEC. 135. Repealing Clause. — Except as may be provided for in Sections 46 and 132 of this Act, Republic Act No. 265, as amended, the provisions of any other law, special charters, rule or regulation issued pursuant to said Republic Act No. 265, as amended, or parts thereof, which may be inconsistent with the provisions of this Act are hereby repealed. Presidential Decree No. 1792 is likewise repealed.

SEC. 136. Transfer of Powers. — All powers, duties and functions vested by law in the Central Bank of the Philippines not inconsistent with the provisions of this Act shall be deemed transferred to the Bangko Sentral ng Pilipinas. All references to the Central Bank of the Philippines in any law or special charters shall be deemed to refer to the Bangko Sentral.

SEC. 137. Separability Clause. — If any provision or section of this Act or the application thereof to any person or circumstance is held invalid, the other provisions or sections of this Act, and the application of such provision or section to other persons or circumstances, shall not be affected thereby.

SEC. 138. Effectivity Clause. — This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved, June 14, 1993.

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