

LETTER OF INSTRUCTIONS NO. 1107, February 16, 1981

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TO:

The Governor, Central Bank of the Philippines
The Chairman, Securities and Exchange Commission
The Chairman, Development Bank of the Philippines
The President, Philippine National Bank
The Minister of the Budget and all others Concerned

Whereas, weaknesses of the Philippine money market have been identified in the wake of recent failures of certain corporate borrowers;

Whereas, credit decisions are made basically by banks and other financial institutions and lenders on the basis of information available to them;

Whereas, it is necessary to systematically assess the financial requirements and condition of major Philippine industries;

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

- The Central Bank of the Philippines shall extend full support to banks and other financial institutions meeting with temporary liquidity problems and shall implement the "lender of the last resort" facility authorized under the law;
- A credit information exchange system shall be initiated by the Central Bank of the Philippines, which shall provide data on bank borrowings, commercial paper issuances and other forms of borrowing, to banks and other financial institutions. The data shall be obtained from financial institutions and shall be released on an exchange arrangement, after the appropriate summarization and classification of data;
- The Central Bank shall study the possibility of a credit bureau, in coordination with investment houses and other financial institutions, along the lines of similar bureaus abroad. If necessary, the Central Bank may subsidize the operations of such a credit bureau, which may be a purely local undertaking or which may be a local office of an established international institution;
- The Central Bank shall require that financial institutions make available information on commercial paper sold without recourse and on placements of trust funds, to such extent as may be necessary to guard against concentration of credit in undue proportions;
- The Securities and Exchange Commission shall review/revise existing guidelines and policies on the registration of commercial paper issues, with the aim of eliminating the issuance of commercial paper by non-credit worthy companies. It shall likewise improve the monitoring of financial condition of companies issuing commercial paper and shall reduce/cancel authorities to issue paper depending on the financial condition of such companies;

- The Securities and Exchange Commission shall study and recommend to the President, policies and procedures relative to the suspension of trading in commercial paper of companies lien conditions warrant. It shall study, in particular, the possibility of automatic suspension of trading in commercial paper when the issuing company defaults on a scheduled payment;
- The Securities and Exchange-Commission and the Central Bank of the Philippines shall coordinate with each other on the companies authorized to issue commercial paper, the maximum amounts authorized to be issued in each case, and related matters;
- The Central Bank of the Philippines, the Securities and Exchange Commission, the Development Bank of the Philippines and the Philippine National Bank shall assess the financial condition of major borrowers on the money market, for the purpose of determining the need of instituting an industrial financing program that will assist priority industries in the rationalization of their finances. Such a program shall be organized with budgetary contribution as seed fund, in the total amount of one billion pesos (P1,000,000,000) which shall be released in phases in accordance with a schedule approved by the President W recommendation of the Minister of the Budget;
- The Professional Regulation Commission shall see to it that Certified Public Accountants auditing the books of commercial Paper issuers comply with the highest standards of the auditing profession and shall adopt such disciplinary measures as may be found appropriate in case where misrepresentations exist in the audited/published financial statements.

Done in the City of Manila, this 16th day of February, nineteen hundred and eighty one.

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

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