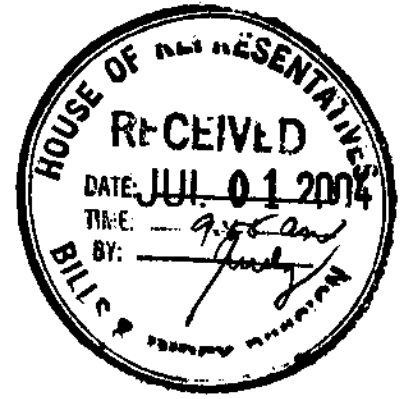


Republic of the Philippines
House of Representatives
Quezon City

Thirteenth Congress

First Regular Session

HOUSE BILL NO. 123



Introduced by **Representative JOEY SARTE SALCEDA**

EXPLANATORY NOTE

In 1993, Congress enacted Republic Act No. 7653, entitled the "New Central Bank Act" which created the Bangko Sentral ng Pilipinas (BSP). Pursuant to Section 20, Article XII of the Constitution, the law established an "independent central monetary authority...that shall provide policy direction in the areas of money, banking and credit".

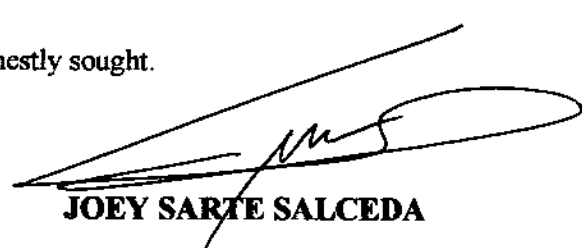
Changes in the world of finance and economics have created a global financial community in which transactions do not recognize borders. But this development of financial efficiency is not without a price. The experience gained and the lessons learned from the volatile financial environment and adverse developments arising from the regional financial turmoil have provided us with basis to refine and improve some of the provisions of the law. Such revisions would certainly the Bangko Sentral's effectiveness and strengthen its supervisory capabilities to promote greater stability in the banking system.

The key provisions of this bill include (a) the removal of the five-year time limit on the Bangko Sentral's tax exemption, (b) the granting of authority to the Monetary Board (MB) to provide a compensation structure based on job evaluation studies and wage surveys, but not lower than those of any other government financial institutions and, (c) the clarification that financial derivatives are subject to the regulation of the MB.

To further strengthen the supervisory capability of the BSP, this bill grants the Governor or the head of the supervision and examination department the authority to conduct an examination of the books of banks at least once in every calendar year. Moreover, the bill extends the requirement of a balanced currency position to subsidiaries and affiliates of banks and authorizes the BSP to impose service fees on financial institutions. More importantly, the measure increases the penalties for violations of RA 7653 and other banking laws.

Finally, in addressing the threats to the overall stability of the banking system, the measure grants the BSP authority to provide liquidity loans in situations which in the judgment of the MB could lead to the illiquidity of the banking system. Under this measure, overdrafts are treated as emergency loans and removes the five-day overdraft privilege granted to banks. Also, this bill clarifies the grounds for placing a bank or quasi-bank under receivership and liquidation.

In view of the foregoing, approval of this bill is earnestly sought.


JOEY SARTE SALCEDA

Republic of the Philippines
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House Bill No. 123

Introduced by Representative JOEY SARTE SALCEDA

AN ACT
AMENDING REPUBLIC ACT NO. 7653, OTHERWISE KNOWN AS THE
THE NEW CENTRAL BANK ACT

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

SECTION 1. The last paragraph of Section 9 of Republic Act No. 7653 is hereby amended to read as follows:

"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] **AN OFFICER, EMPLOYEE, AGENT OR STOCKHOLDER** in any such institution within [two (2)] **ONE** year[s] after the expiration of his term [except when he serves as an official representative of the Philippine Government to such institution]: **PROVIDED, HOWEVER, THAT THIS PROHIBITION SHALL NOT APPLY IF SUCH INSTITUTION IS CREATED AFTER THE EXPIRATION OF THE TERM OR RESIGNATION OF MEMBER CONCERNED NOR TO PRIVATE PRACTICE OF HIS PROFESSION, EXCEPT IF SUCH PRACTICE IS IN CONNECTION WITH ANY MATTER BEFORE THE BANGKO SENTRAL. THE FOREGOING RESTRICTIONS SHALL NOT APPLY WHEN THE**

PERSON CONCERNED SERVES AS AN OFFICIAL REPRESENTATIVE OF THE PHILIPPINE GOVERNMENT TO SUCH INSTITUTION.”

Section 2. Section 15, paragraph (c), of the same Act is hereby amended to read as follows:

“(c) 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.] **PROVIDED, THAT ALL POSITION IN THE BANGKO SENTRAL NG PILIPINAS SHALL BE GOVERNED BY A COMPENSATION, POSITION CLASSIFICATION SYSTEM AND QUALIFICATION STANDARDS APPROVED BY THE MONETARY BOARD BASED ON COMPREHENSIVE JOB ANALYSIS AND AUDIT OF ACTUAL DUTIES AND RESPONSIBILITIES. THE COMPENSATION PLAN SHALL BE COMPARABLE WITH THE PREVAILING COMPENSATION PLANS OF OTHER GOVERNMENT FINANCIAL INSTITUTIONS AND SHALL BE SUBJECT TO REVIEW BY THE BOARD NO MORE THAN ONCE EVERY TWO (2) YEARS WITHOUT PREJUDICE TO YEARLY MERIT REVIEWS OR INCREASES BASED ON PRODUCTIVITY AND PROFITABILITY. THE BANGKO SENTRAL SHALL THEREFORE BE EXEMPT FROM EXISTING LAWS, RULES AND REGULATIONS ON COMPENSATION, POSITION CLASSIFICATION AND**

QUALIFICATION STANDARDS. IT SHALL HOWEVER ENDEAVOR TO MAKE ITS SYSTEM CONFORM AS CLOSELY AS POSSIBLE WITH THE PRINCIPLES UNDER REPUBLIC ACT NO. 6758, AS AMENDED.

On the recommendation of the Governor, appoint, fix the remuneration 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 resign 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 **OR TO ANY OF THE DEPUTY GOVERNORS, OR IN CASE OF REASSIGNMENT WITHIN A DEPARTMENT, TO THE HEAD OF THE DEPARTMENT CONCERNED**, under such guidelines as [its] **THE BOARD**, may determine.”

Section 3. Section 20 of the same Act is hereby amended to read as follows:

“SEC. 20. *Outside Interest 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 **AUTHORIZED BY LAW** [, 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].”

Section 4. The second paragraph of Section 25 of the same Act is hereby amended to read as follows:

"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 **TWENTY-FIVE PERCENT (25%) TO** 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."

Section 5. Section 28 of the same Act is hereby amended to read as follows:

"SEC. 28. *Examination and Fees.* – The supervising and examining department head, personally, or by deputy, shall examine the books of every banking institution **AT LEAST** once in every [twelve (12 months)] **CALENDAR YEAR**, and at such other times as **EITHER** the [Monetary Board by affirmative vote of five (5) members,] **GOVERNOR OR THE SUPERVISING AND EXAMINING DEPARTMENT HEAD OR HIS DEPUTY** 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] **INSPECTION OF CERTAIN RECORDS FOR VERIFICATION PURPOSES SHALL NOT BE DEEMED AN EXAMINATION FOR PURPOSES OF THIS PROVISION.**

"The bank concerned shall afford to the head of the appropriate supervising and examining department and to his authorized deputies full opportunity to examine its books, cash and available assets and general condition at any time during [banking] **OFFICE** 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 connections 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.”

Section 6. Section 30 of the same Act is hereby further amended to read as follows:

“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:

(a) 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; **OR**

(b) has insufficient realizable assets, as determined by the *Bangko Sentral*, to meet its liabilities; or

(c) cannot continue in business without involving probable losses to its depositors or creditors;
or

(D) HAS A CAPITAL-TO-RISK ASSETS RATIO OF LESS THAN TWO PERCENT (2%) CONTINUOUSLY FOR MORE THAN NINETY (90) DAYS; OR

[(d)](E) has willfully violated a cease and desist order under Section 37 that has become final, involving acts or transactions which amount to fraud or 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.

IN CASE A BANK OR QUASI-BANK NOTIFIES THE *BANGKO SENTRAL* OR PUBLICLY ANNOUNCES A UNILATERAL BANK CLOSURE, OR IN ANY MANNER

SUSPENDS THE PAYMENT OF ITS DEPOSIT LIABILITIES CONTINUOUSLY FOR MORE THAN THIRTY (30) DAYS, THE MONETARY BOARD SHALL SUMMARILY AND WITHOUT NEED FOR PRIOR HEARING CLOSE SUCH BANKING INSTITUTION AND PLACE IT UNDER THE RECEIVERSHIP OF THE PHILIPPINE DEPOSIT INSURANCE CORPORATION.

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 non-speculative 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:

(1) 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.

(2) 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: **PROVIDED, HOWEVER, THAT ANY ORDER RESTRAINING OR SETTING ASIDE THE ACTION COMPLAINED OF IN THE PETITION FOR CERTIORARI MAY BE STAYED UPON APPROVAL BY THE COURT OF A SUFFICIENT SUPERSEDEAS BOND FILED BY THE BANGKO SENTRAL, CONDITIONED UPON THE PERFORMANCE OF THE ORDER RESTRAINING OR SETTING ASIDE THE ACTION COMPLAINED OF, IN CASE ITS SHALL BE FINALLY SUSTAINED IN WHOLE OR IN PART: PROVIDED, FURTHER, THAT THE BOND THUS GIVEN MAY BE PROCEEDED AGAINST ON MOTION WITH NOTICE TO THE SURETY.** 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 conservatorship.

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 receiver.”

Section 7. Section 36 of the same Act is hereby amended to read as follows:

“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 will fully 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 (P50,000.00) nor more than [Two hundred thousand pesos (P200,000.00)] **TWO MILLION PESOS (P2,000,000.00)** 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.”

Section 8. Section 37 of the same Act is hereby amended to read as follows:

“SEC. 37. *Administrative Sanctions [on Banks and Quasi-Banks].* – Without prejudice to the criminal sanctions against the culpable persons provided in Section 34, 35 and 36 of this Act, the Monetary Board may, at its discretion, impose upon any banks, [or] quasi-bank, their **SUBSIDIARIES OR AFFILIATES, AS WELL AS** directors and/or officers **OF SUCH**

INSTITUTIONS, for any willful violation of its charter or by laws, 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 or examining department or its examiners; any willful failure or refusal to comply with, or violation of, any banking law or any order, instruction or ruling by the Governor; or any commission or 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:

(a) fines in amounts as may be determined by the Monetary Board to be appropriate, but in case to exceed [Thirty thousand pesos (P30,000.00) a] **THREE HUNDRED THOUSAND PESOS (P300,000.00) PER BANKING 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] **INSTITUTION;**

(b) Suspension of rediscounting privileges pr access to *Bangko Sentral* credit facilities;

(c) Suspension of lending or foreign exchange operations or authority to accept new deposits or make new investments;

(d) Suspension of interbank clearing privileges; [and/or]

(e) Revocation of quasi-banking license;

(F) REVOCATION OF TRUST LICENSE;

(G) PROHIBITION FROM DECLARING CASH DIVIDENDS;

(H) CONFISCATION BY AND FORFEITURE IN FAVOR OF, THE BANGKO SENTRAL OF ANY AND ALL PROFITS, AS MAY BE DETERMINED BY THE MONETARY BOARD, ARISING FROM THE OFFENSE OR VIOLATION OF BANKING LAWS AND REGULATIONS, OR ACT OR OMISSION CONSTITUTING AN UNSAFE OR UNSOUND PRACTICE; AND/OR

(I) OTHER SANCTIONS AS THE MONETARY BOARD MAY DEEM APPROPRIATE UNDER THE CIRCUMSTANCES.

THE DIRECTOR OR OFFICER RESPONSIBLE FOR THE VIOLATION MAY, AFTER DUE HEARING, BE SUSPENDED, REMOVED OR DISQUALIFIED FROM HOLDING OFFICE FOR A PERIOD TO BE DETERMINED BY THE *BANGKO SENTRAL* WHICH SHALL IN NO CASE EXCEED A PERIOD OF TWENTY (20) YEARS, TAKING INTO CONSIDERATION THE ATTENDANT CIRCUMSTANCES, SUCH AS THE NATURE AND GRAVITY OF THE ACT OR OMISSION AND THE SIZE OF THE INSTITUTION CONCERNED.

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, **THEIR SUBSIDIARIES OR AFFILIATES**, 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 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 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, **QUASI-BANKS, THEIR SUBSIDIARIES AND AFFILIATES**, for any failure to comply with the requirements of the 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 (P10,000.00) a] **ONE HUNDRED THOUSAND PESOS (P100,000.00) PER BANKING** day for each violation , the imposition of which shall be final and executory until reversed, modified or lifted by the Monetary Board on appeal.”

Section 9. Requirement of Balanced Currency Position. – The Monetary Board may require [the] banks, **QUASI-BANKS, THEIR SUBSIDIARIES AND AFFILIATES** to maintain a balanced position between their assets and liabilities in Philippines pesos or in any other currency or currencies in which they operate. [The Banks] **THEY** 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, **QUASI-BANKS, THEIR SUBSIDIARIES AND AFFILIATES**, alike and without discrimination.”

Section 10. Section 78 of the same Act is hereby amended to read as follows:

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 banks purchases and sales of non-spot exchange as it may consider necessary for said purpose.

NOTHING IN THIS SECTION SHALL BE CONSTRUED AS PROHIBITING BANKS AND QUASI-BANKS FROM ENGAGING IN FINANCIAL DERIVATIVES ACTIVITIES, SUBJECT TO REGULATIONS AS MAY BE ISSUED BY THE MONETARY BOARD.

Section 11. Section 83 of the same Act is hereby amended to read as follows:

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 **OR IN SITUATIONS WHICH IN THE JUDGMENT OF THE MONETARY BOARD COULD LEAD TO ILLIQUIDITY OF THE BANKING SYSTEM.”**

Section 12. The last paragraph of Section 84 of the same Act is hereby amended to read as follows:

“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. **THE OVERDRAFT MAY BE CONVERTED INTO AN EMERGENCY LOAN OR ADVANCE AND SHALL BE GOVERNED BY THE PROVISIONS OF THIS SECTION: PROVIDED, HOWEVER, THAT THE CEILING PRESCRIBED HEREIN ON THE AMOUNT OF ANY EMERGENCY LOAN OR ADVANCE THAT MAY BE GRANTED TO A BANKING**

INSTITUTION SHALL NOT APPLY TO THE CONVERSION OF ITS OVERDRAFT INTO AN EMERGENCY LOAN OR ADVANCE."

Section 13. Section 102 of the same Act is hereby amended to read as follows:

"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 an overdrawing in its deposit account with *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, HOWEVER, [further]*, That settlement of clearing balances shall not be effected for any account which IS [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, **EXCEPT AS MAY BE DECIDED OTHERWISE BY THE MONETARY BOARD WHENEVER WARRANTED BY THE CIRCUMSTANCES AND IF THE BANK WHICH HAS INCURRED SUCH OVERDRAWING IS SOLVENT**: *Provided, fully*, 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, with such period as may be prescribed by the Monetary Board, either convert overdraft into an emergency loan or advance with a plan payment, or settle 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.”

Section 14. Section 116 of the same Act is hereby amended to read as follows:

SEC. 116. *Remuneration for Service.* – The *Bangko Sentral* may charge equitable rates, commissions or fees for services which it renders to the Government, its political subdivisions and instrumentalities[.] **AS WELL AS TO FINANCIAL INSTITUTIONS: PROVIDED, THAT IN THE CASE OF BANKS AND QUASI-BANKS, SUCH CHARGES FOR SERVICES SHALL BE IN ADDITION TO THE SUPERVISION FEES AUTHORIZED UNDER SECTION 28 OF THIS ACT. PROVIDED, FURTHER, THAT BANGKO SENTRAL MAY OUTSOURCE ANY SUCH SERVICES WHEN THE COST AND APPROPRIATE CONTROLS JUSTIFY IT.”**

Section 15. Section 125 of the same Act is hereby amended to read as follows:

SEC. 125. *Tax Exemptions.* – **THE PROVISIONS OF ANY GENERAL OR SPECIAL LAW TO THE CONTRARY NOTWITHSTANDING,** 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 **NOW IN FORCE OR HEREAFTER ESTABLISHED.**

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 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 other taxes if the payment of such taxes has been assumed by the *Bangko Sentral*."

Section 16. Section 126 of the same Act is hereby amended to read as follows:

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 **AND SUPPLIES** needed **IN THE BANGKO SENTRAL'S OPERATIONS SUCH AS** bank note production, minting of coins, metal refining, [and other] security printing operations **AND TRANSPORT OF CURRENCY** 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."

Section 17. Section 128 of the same Act is hereby amended to read as follows:

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: **PROVIDED, THAT THIS PROHIBITION SHALL NOT APPLY (A) IN CASES WHERE SUCH OWNERSHIP AND MANAGEMENT IS EXPRESSLY AUTHORIZED BY LAW; (B) TO CLUB MEMBERSHIP SHARES WHICH THE BANGKO SENTRAL MAY ACQUIRE FOR ITS OWN PURPOSES; AND (C) TO PROPRIETARY SHARES THE PURCHASE OF WHICH IS REQUIRED AS A CONDITION OF AVAILMENT OF CERTAIN UTILITIES, SUCH AS TELEPHONE SERVICES.**

The *Bangko Sentral* shall not engage in development banking or financing shall not be affected by the prohibition of this section."

Section 18. Subparagraph (b) of Section 132 of the same Act is hereby amended to read as follows:

“(b) The *Bangko Sentral* shall remit [seventy-five percent (75%)] **NINETY PERCENT (90%)** of its net profits to a special deposits 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, set-offs, condonation, collections, reappraisal, revaluation and bond issuance by the National Government as dividends.”

Section 19. Section 134 of the same Act is hereby amended to read as follows:

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.”

Section 20. *Effectivity*. – This Act shall take effect after fifteen (15) days following its publication either in the Official Gazette or in a newspaper of general circulation in the Philippines.

Approved,