

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
Quezon City

Fifteenth Congress

First Regular Session

HOUSE BILL NO. 61



Introduced by Representative Luis R. Villafuerte

AN ACT
PROVIDING FOR A COMPREHENSIVE REVISION OF THE CHARTER OF THE
BANGKO SENTRAL NG PILIPINAS (BSP) BY AMENDING REPUBLIC ACT
NUMBERED SEVENTY-SIX HUNDRED AND FIFTY-THREE
ENTITLED "THE NEW CENTRAL BANK ACT"

EXPLANATORY NOTE

Republic Act No. 7653 otherwise known as the New Central Bank Act took effect on July 3, 1993. (Earlier in 1948, Republic Act No. 265 commonly known as the Old Central Bank Act was promulgated. This was later amended four (4) times starting in 1972 and the latest amendment was in 1981.)

By July 3, 2010, seventeen (17) years would have lapsed since the New Central Bank Act took effect. Application and implementation of the provisions of the New Central Bank Act for the past seventeen (17) years have shown that there is an urgent need to revisit, reexamine, review, clarify, and amend some provisions to keep the provisions attuned to the changing times and to render more effective and efficient the supervision of banks and non-bank financial institutions by the Bangko Sentral.

Based on experiences encountered in the administration and supervision of the operations of banks, non-bank financial intermediaries and financial services that have emerged, it has become imperative that there are concepts that have to be redefined and their applications clarified. There are gaps and loopholes in the present BSP Charter that need to be plugged as there are problems that have cropped up that were not anticipated in the enactment of the BSP Charter seventeen (17) years ago that now need to be addressed through statutory amendments.

Among many others that have been incorporated in this Bill as proposed revisions of the BSP Charter, the salient features of this amendatory legislation are explained hereunder.

A Technical Working Group was organized by the Committee on Banks and Financial Intermediaries in the 14th Congress and the stakeholders were given the opportunity to submit their proposals, and their comments on the proposals from Members of the House of Representatives. The Technical Working Group headed by Congressman Luis R. Villafuerte conducted a series of hearings that lasted several months, after which a Committee Report was submitted with a matrix of comparison between the provisions of the present BSP Charter and the proposed amendments provided in this bill. The specific language of each and every proposed amendment was incorporated in a revised bill which when submitted to the Committee on Banks and Financial Intermediaries obtained approval of said Committee. Forty-seven (47) Congressmen representing the majority of the members of the Committee signed their approval and concurrence to the recommendations of the Technical Working Group. Among those who participated in the hearings are representatives of the Bangko Sentral ng Pilipinas (BSP), Department of Finance (DOF), Philippine Deposit Insurance Corporation (PDIC), Securities and Exchange Commission (SEC), Bankers Association of the Philippines (BAP), Rural Bankers Association of the Philippines (RBAP), Chamber of Thrift Banks (CTB), and Investment Houses Association of the Philippines (IHAP).

The proposed amendments proposed under this Bill which shall constitute as the core provisions for a comprehensive reform of the BSP Charter covered by RA 7653, include among others, the following:

1. A formula and mechanism for the full payment by the National Government of its unpaid subscription to the Bangko Sentral is established under this bill.

It will be recalled that the capital of the Bangko Sentral ng Pilipinas (BSP) was fixed by law to Fifty Billion Pesos (P50,000,000,000.00) which was fully subscribed by the National Government. It was originally stipulated that the National Government shall pay initially upon the effectivity of the New Central Bank Act the sum of Ten (10) Billion Pesos (P10,000,000,000.00) and the balance to be paid for within two (2) years from the effectivity of said Act in such manner and form as the Government through the Secretary of Finance and the Secretary of Budget and Management may thereafter determine.

However, seventeen (17) years have lapsed since the effectivity of the New Central Bank Act but the National Government has not paid the P40 Billion balance of its subscription to the capital of the Bangko Sentral.

In order to remedy this problem, it is provided under this Bill as a proposed amendment that the balance of P40 Billion Pesos unpaid subscription of the National

Government shall be paid for in cash available to the Government or through the issuance of readily marketable government securities of equivalent market value to settle the balance of the unpaid subscription of the Government to the Bangko Sentral: Provided, that the cash or government securities issued pursuant hereto are authorized and shall be deemed automatically appropriated for the purpose of enabling the government to comply with its obligation to pay for its unpaid subscription to the Bangko Sentral.

2. The supervisory powers of the BSP was clarified to include not only supervision over the operation of banks, finance companies and non-bank financial institutions performing quasi-banking functions but also supervisory power of BSP over credit card companies, e-money issuers, remittance agents and institutions performing similar functions which are regulated by the Bangko Sentral under this Act or under special laws.

3. The existing provision under the New Central Bank prescribing that the appointment of the Governor of the Bangko Sentral shall be subject to confirmation by the Commission on Appointments has been deleted under this Bill because of Supreme Court decisions that only Presidential appointees expressly mentioned in Section 16 of Article VII of the Constitution require confirmation by the Commission on Appointments and the Governor of the BSP is not one of those specifically mentioned in the Constitution.

4. On disqualifications. – It is provided as a proposed amendment under this bill that no Member of the Monetary Board, including the Governor and any Deputy Governor of the Bangko Sentral shall be elected as director, or employed as officer or employee, or hired as consultant, adviser, lawyer or in other contractual capacity of any bank, quasi-bank, finance company, non-bank financial intermediary, or in similar capacities in other institutions that are supervised/regulated by the Bangko Sentral within three (3) years after the expiration of their respective terms of office or after any of such officials retires or resigns from their respective positions in the Bangko Sentral except when any of such officials is appointed or designated as an official representative of the Philippine Government in a multilateral or international financial institution.

This proposed amendment enlarges the present disqualification provision which merely provided that no member of the Monetary Board shall be employed in any banking or financial institution within two (2) years after the expiration of his/her term. The prohibited two (2) year period under the present law has been increased to three (3) years after the expiration of the term of office or after the official retires or resigns from his position in the Bangko Sentral. Also, the officials subject to disqualification under the proposed amendment shall not be limited to the term "employment" but has been clarified to include election as 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.

5. On Meetings of the Monetary Board. – It is proposed that the meeting of the Monetary Board, as required by circumstances, may be conducted through teleconferencing or video conferencing subject to the prescribed procedure outlined in the proposed amendment.

6. On the issuance of rules and regulations. – Under the present law, there is no distinction between issuances of the Monetary Board and the Governor that affect only the internal operations and administrative functions of the Bangko Sentral and those that affect third parties and imposes a penalty to such third parties.

It is provided by way of amendment under the proposed bill that any issuance that affects third parties or imposes penalties or sanctions against the institutions supervised/regulated by the Bangko Sentral or their directors or officers shall, before its issuance be subject to public hearings of the parties and institutions to be affected.

7. On the preparation of agenda and distribution of supporting documents. – It is provided under this bill that the supporting memorandum for any item included in the agenda for the meetings of the Monetary Board shall be distributed to the members of the Monetary Board at least three (3) working days before the scheduled meeting in order to enable the members of the Board to study, review, and evaluate each and every item included in the agenda; Provided, however, that in emergency cases, a prior one (1) working day before a meeting shall apply in the distribution of said supporting documents to agenda items.

8. On alternate Representatives to the Monetary Board. – While in the absence of the Governor, a Deputy Governor maybe designated by the Governor as his alternate and while members of the cabinet, serving as ex-officio members of the Monetary Board, in their absence, may send an alternate/representative, such alternates shall have the right of voice but not the right of vote - the reason being that they are not the duly appointed members of the Monetary Board that by law exercise the powers and functions of Monetary Board Members. However, the attendance of such alternates shall be considered in the determination of quorum.

9. On Deputy Governors. – The proposed bill increases the number of Deputy Governors from the existing three (3) to five (5). The respective assignments of the two (2) additional Deputy Governors are enumerated in the proposed bill.

10. On Reports of Examination (ROE). – It is proposed that the authority of the supervising and examining department head, personally or by deputy to examine the

books and records of banks shall be expanded to include also quasi-banking or non-bank financial institutions once every 12 months and at other times as the Monetary Board by an affirmative vote of five (5) members.

11. On the Appointment of Conservator. – Under the existing law, the appointment of a conservator is discretionary on the part of BSP while under the proposed bill the appointment of conservator under prescribed conditions is mandatory subject to compliance with the procedure provided for under the proposed bill.

12. On Proceedings in Receivership and Liquidation. – The authority of the Monetary Board to place a bank or quasi-bank under receivership under Section 30 of the New Central Bank Act has been enlarged to include non-bank financial institutions.

13. On Prompt Corrective Action (PCA). – The proposed bill is limiting the existing grounds for the imposition of prompt corrective action to only one ground namely capital deficiency (below the minimum capital requirements prescribed under existing laws and implementing regulations), since there are monetary tools other than prompt corrective action that the BSP can avail of to remedy or correct other supervisory and/or governance concerns.

14. On Bridge Banking. – The concept of bridge banking is introduced under the proposed bill.

15. On Administrative Penalties. – Under the proposed bill, penalties that may be imposed by Bangko Sentral have been classified according to categories and types of banks. And the reckoning of penalties shall be based on banking days rather than calendar days. The said penalties have been expanded to apply also to finance companies and non-bank financial institutions performing quasi-banking functions

16. On Exemption from Attachment. – This is a new provision under the proposed bill not found in the New Central Bank Act (RA 7653) which provides that:

The provisions of any law to the contrary notwithstanding, collaterals on loans and advances granted by the Bangko Sentral shall not be subject to attachment, execution or any other court process, nor shall they be included in the property of insolvent persons or institutions, unless the secured loans and advances granted by the Bangko Sentral to insolvent persons or institutions or a closed institution have already been fully paid in which case the exemptions under this Section shall no longer apply.

17. On Credit Facilities for Islamic Banks. – Under the proposed bill, the Bangko Sentral may provide for the extension of rediscounting or other similar facilities to Islamic Banks. This is a new provision.

18. On Right of Redemption of Foreclosed Real Property. – A new provision is proposed as an amendment, as follows:

The mortgagor shall have the right to redeem the property within one year from the date of foreclosure sale of the real estate, in case the mortgagor is a natural person, and within ninety days but not later than the date of registration of the certificate of foreclosure sale, in case the mortgagor is a juridical person. Redemption shall be effected by paying the principal, interests, charges, commissions and all claims of whatever nature of the Bangko Sentral outstanding and due as of the date of foreclosure sale, including all costs and other expenses incurred by reason of the foreclosure sale and custody of the property.

The Bangko Sentral, as purchaser in the foreclosure sale and without need of posting a bond, may take possession of the foreclosed property during the redemption period. The Bangko Sentral shall be entitled to the fruits of the property, the same to be applied against the redemption price.

19. On Tax Exemptions. – A revised provision on tax exemptions has been provided, to wit:

"The provisions of any general or special law to the contrary notwithstanding, financial transactions of the Bangko Sentral arising from its open market operations shall be exempt from all national, and local taxes, fees, charges and assessments."

20. On Exemption from Customs Duties. – The exemption from customs duties has been limited to importation of all supplies needed by the Bangko Sentral for bank note production, minting of coins, metal refining and other security printing operations and transport of currency.

21. Other proposed amendments to the BSP Charter incorporated under this bill are shown in detail on the matrix of comparison between the provisions of the present BSP Charter and the proposed amendments of specific sections thereof.

Approval of this Bill is hereby earnestly sought.


LUIS R. VILLAFUERTE
Representing the 3rd District
of Camarines Sur

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS

FIRST REGULAR SESSION

HOUSE BILL No. _____

61



INTRODUCED BY REPRESENTATIVE LUIS R. VILLAFUERTE

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

SECTION 1. Section 2 of Republic Act No. 7653 is hereby amended to read as follows:

"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 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~~]. THE BALANCE SHALL BE PAID FOR IN CASH AVAILABLE TO THE GOVERNMENT OR THROUGH THE ISSUANCE OF READILY MARKETABLE GOVERNMENT SECURITIES OF EQUIVALENT MARKET VALUE TO THE BALANCE OF THE UNPAID SUBSCRIPTION OF THE GOVERNMENT TO THE BANGKO SENTRAL: PROVIDED, THAT THE CASH OR GOVERNMENT SECURITIES ISSUED PURSUANT HERETO ARE HEREBY AUTHORIZED AND SHALL BE DEEMED AUTOMATICALLY APPROPRIATED FOR THE PURPOSE OF ENABLING THE GOVERNMENT TO COMPLY WITH ITS OBLIGATION TO PAY FOR ITS UNPAID SUBSCRIPTION TO THE BANGKO SENTRAL."

1 SEC. 2. Section 3 of Republic Act No. 7653 is hereby amended to read as
2 follows:

3 "SEC. 3. *Responsibility and Primary Objective.* — The Bangko Sentral shall
4 provide policy directions in the areas of money, banking, and credit. It shall have
5 supervision over the operations of banks and exercise such regulatory powers as
6 provided in this Act and other pertinent laws over the operations of finance
7 companies and non-bank financial institutions performing quasi-banking functions,
8 hereafter referred to as quasi-banks, INCLUDING CREDIT CARD COMPANIES, E-
9 MONEY ISSUERS, REMITTANCE AGENTS and institutions performing similar functions
10 REGULATED BY THE BANGKO SENTRAL UNDER THIS ACT OR UNDER SPECIAL LAWS.

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

14 SEC. 3. Section 6 of Republic Act No. 7653 is hereby amended to read as
15 follows:

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

20 The seven (7) members are:

21 (a) the Governor of the Bangko Sentral who shall be the Chairman of the
22 Monetary Board. ~~[The Governor of the Bangko Sentral shall be head of a~~
23 ~~department and his appointment shall be subject to confirmation by the~~
24 ~~Commission on Appointments.]~~ Whenever the Governor is unable to attend a
25 meeting of the Board, he shall designate a Deputy Governor to act as his alternate
26 AND THE ATTENDANCE OF THE LATTER AS AN ALTERNATE TO THE GOVERNOR SHALL BE
27 COUNTED FOR DETERMINING THE QUORUM BUT SAID ALTERNATE WHILE ENTITLED TO BE
28 HEARD SHALL HAVE NO RIGHT TO VOTE: *Provided, HOWEVER, That in [such event,]*
29 THE ABSENCE OF THE GOVERNOR AT THE MEETING OF THE BOARD, the Monetary
30 Board shall designate one of its members as acting Chairman;

31 (b) a member of the Cabinet to be designated by the President of the
32 Philippines. Whenever the designated Cabinet Member is unable to attend a
33 meeting of the Board, he shall designate an Undersecretary in his Department to
34 attend as his alternate WHOSE ATTENDANCE AT THE MEETING OF THE BOARD SHALL

1 BE COUNTED FOR DETERMINING A QUORUM BUT WHILE HE HAS THE RIGHT TO BE
2 HEARD, HE HAS NO RIGHT TO VOTE; and

3 (c) five (5) members who shall come from the private sector, all of whom
4 shall serve full-time: Provided, however, That of the members first appointed under
5 the provisions of this subsection, three (3) shall have a term of six (6) years, and the
6 other two (2), three (3) years. No member of the Monetary Board may be
7 reappointed more than once."

8 SEC. 4. Section 9 of Republic Act No. 7653 is hereby amended to read as
9 follows:

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

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

19 No person shall be a member of the Monetary Board if he has been
20 connected directly with any [multilateral] banking or financial institution or has a
21 substantial interest in any private bank in the Philippines, within one (1) year prior to
22 his appointment ~~[- likewise, no member of the Monetary Board shall be employed in~~
23 ~~any such institution within two (2) years after the expiration of his term except when~~
24 ~~he serves as an official representative of the Philippine Government to such~~
25 ~~institution].~~ NO MEMBER OF THE MONETARY BOARD, INCLUDING THE GOVERNOR AND
26 ANY DEPUTY GOVERNOR OF THE BANGKO SENTRAL SHALL BE ELECTED AS DIRECTOR,
27 OR EMPLOYED AS OFFICER OR EMPLOYEE, OR HIRED AS CONSULTANT, ADVISER,
28 LAWYER OR IN OTHER CONTRACTUAL CAPACITY OF ANY BANK, QUASI-BANK,
29 FINANCE COMPANY, NON-BANK FINANCIAL INTERMEDIARY, OR IN SIMILAR
30 CAPACITIES IN OTHER INSTITUTIONS THAT ARE SUPERVISED/REGULATED BY THE
31 BANGKO SENTRAL WITHIN THREE (3) YEARS AFTER THE EXPIRATION OF THEIR
32 RESPECTIVE TERMS OF OFFICE OR AFTER ANY OF SUCH OFFICIALS RETIRES OR RESIGNS
33 FROM THEIR RESPECTIVE POSITIONS IN THE BANGKO SENTRAL EXCEPT WHEN ANY OF
34 SUCH OFFICIALS IS APPOINTED OR DESIGNATED AS AN OFFICIAL REPRESENTATIVE OF

1 THE PHILIPPINE GOVERNMENT IN A MULTILATERAL OR INTERNATIONAL FINANCIAL
2 INSTITUTION."

3 SEC. 5. Section 11 of Republic Act No. 7653 is hereby amended to read as
4 follows:

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

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

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

12 THE MEETING OF THE MONETARY BOARD, AS REQUIRED BY CIRCUMSTANCES,
13 MAY BE CONDUCTED THROUGH TELECONFERENCING OR VIDEO CONFERENCING
14 SUBJECT TO PRIOR NOTICE TO ALL THE MEMBERS OF THE BOARD OF THE CALL FOR
15 SUCH METHOD OF CONFERENCING AND SUBJECT FURTHER TO THE REQUIREMENT THAT
16 THE CHAIRMAN OF THE BOARD OR THE ALTERNATE PRESIDING OFFICER IS PHYSICALLY
17 PRESENT, TOGETHER WITH THREE (3) OTHER MEMBERS OF THE BOARD, AT THE
18 DESIGNATED VENUE OF THE MEETING.

19 THE GOVERNOR SHALL VOTE AT MEETINGS OF THE MONETARY BOARD SUBJECT
20 TO THE LIMITATIONS OF SECTION 14 (WITHDRAWAL DUE TO PERSONAL OR PECUNIARY
21 INTEREST) HEREIN. EACH AND EVERY VOTE OF THE GOVERNOR AND THE MONETARY
22 BOARD MEMBERS BE IT IN THE AFFIRMATIVE, NEGATIVE OR ABSTENTION SHOULD BE
23 REFLECTED IN THE MINUTES OF THE MEETING.

24 The *Bangko Sentral* shall maintain and preserve a complete record of the
25 proceedings and deliberations of the Monetary Board, including the tapes and
26 transcripts of the stenographic notes, either in their original form or in microfilm OR
27 OTHER RECORDING MEDIA."

28 SEC. 6. Section 12 of Republic Act No. 7653 is hereby amended to read as
29 follows:

30 "SEC. 12. *Attendance of the Deputy Governors.* — The Deputy Governors
31 [may] SHALL UPON THE ORDER OF THE GOVERNOR OR THE MONETARY BOARD
32 attend the meetings of the Monetary Board with the right to be heard. OTHER
33 OFFICIALS OF THE BANGKO SENTRAL MAY BE DIRECTED TO ATTEND THE MONETARY

1 BOARD MEETINGS UPON INVITATION OF THE MONETARY BOARD ON A PER MEETING
2 BASIS IF THEIR EXPERTISE IS NEEDED IN A PARTICULAR AGENDA MATTER."

3 SEC. 7. Section 15 of Republic Act No. 7653 is hereby amended to read as
4 follows:

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

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

12 ANY ISSUANCE THAT AFFECTS THIRD PARTIES OR IMPOSES A PENALTY OR
13 SANCTION AGAINST THE INSTITUTIONS SUPERVISED/REGULATED BY THE BANGKO
14 SENTRAL OR THEIR DIRECTORS OR OFFICERS SHALL, BEFORE ITS ISSUANCE BE SUBJECT
15 TO PUBLIC HEARINGS OF THE PARTIES AND INSTITUTIONS TO BE AFFECTED.

16 NO RULES AND REGULATIONS SHALL BECOME EFFECTIVE UNLESS PUBLISHED IN
17 TWO (2) NEWSPAPERS OF NATIONAL CIRCULATION;

18 (b) direct the management, operations, and administration of the Bangko
19 Sentral, reorganize its personnel AND IN CONNECTION THEREWITH PROVIDE
20 SEPARATION BENEFITS AS DEEMED APPROPRIATE, and issue such rules and regulations
21 as it may deem necessary or convenient for this purpose. ~~[The legal units of the~~
22 ~~Bangko Sentral shall be under the exclusive supervision and control of the Monetary~~
23 ~~Board;]~~

24 THE MONETARY BOARD SHALL ESTABLISH A LEGAL UNIT UNDER ITS EXCLUSIVE
25 SUPERVISION AND CONTROL THAT SHALL ASSIST THE MONETARY BOARD IN ITS POLICY
26 FORMULATION, IN THE PROMULGATION OF IMPLEMENTING RULES AND REGULATIONS
27 AND IN REVIEWING THE LEGAL ASPECT OF MEASURES INCLUDED IN THE AGENDA TO
28 BE DISCUSSED AT THE MEETINGS OF THE MONETARY BOARD.

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

33 A compensation structure, based on job evaluation studies and wage surveys
34 and subject to the Board's approval, shall be instituted as an integral component of

1 the Bangko Sentral's human resource development program: *Provided, That the*
2 Monetary Board shall make its own system conform as closely as possible with the
3 principles provided for under Republic Act No. 6758[: ~~[Provided, however, That~~
4 ~~compensation and wage structure of employees whose positions fall under salary~~
5 ~~grade 19 and below shall be in accordance with the rates prescribed under~~
6 ~~Republic Act No. 6758].~~

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

14 (d) adopt an annual budget for and authorize such expenditures by the
15 Bangko Sentral as are in the interest of the effective administration and operations of
16 the Bangko Sentral in accordance with applicable laws and regulations; and

17 (e) indemnify its members and other officials of the Bangko Sentral, including
18 personnel ~~[of the departments]~~ performing supervision and examination functions,
19 CREDIT AND MONETARY POLICY OPERATIONS against all costs and expenses
20 reasonably incurred by such persons in connection with any civil or criminal action,
21 suit or proceedings to which he may be, or is, made a party by reason of the
22 performance of his functions or duties, unless he is finally adjudged in such action or
23 proceeding to be liable for BAD FAITH, MALICE, negligence or misconduct.

24 In the event of a settlement or compromise, indemnification shall be provided
25 only in connection with such matters covered by the settlement as to which the
26 Bangko Sentral is advised by external counsel that the person to be indemnified ~~[did~~
27 ~~not commit any]~~ HAD NOT ACTED WITH BAD FAITH, MALICE, negligence or
28 misconduct.

29 The costs and expenses incurred in defending the aforementioned action, suit
30 or proceeding may be paid by the Bangko Sentral in advance of the final disposition
31 of such action, suit or proceeding upon receipt of an undertaking by or on behalf of
32 the member, officer, or employee REFERRED TO IN SUBSECTION (E) to repay the
33 amount advanced should it ultimately be determined by the Monetary Board that

1 he is not entitled to be indemnified as provided in this subsection ON ACCOUNT OF
2 BAD FAITH, MALICE, NEGLIGENCE OR MISCONDUCT."

3 SEC. 8. Section 16 of Republic Act No. 7653 is hereby amended to read as
4 follows:

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

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

22 SEC. 9. Section 17 of Republic Act No. 7653 is hereby amended to read as
23 follows:

24 "SEC. 17. *Powers and Duties of the Governor.* — The Governor shall be the
25 chief executive officer of the *Bangko Sentral*. His powers and duties shall be to:

26 (a) prepare, AT HIS INITIATIVE, OR UPON THE RECOMMENDATION OF A
27 MEMBER OF THE MONETARY BOARD, the agenda for the meetings of the Monetary
28 Board and to submit for the consideration of the Board the policies and measures
29 [~~which he believes~~] DEEMED to be necessary to carry out the purposes and
30 provisions of this Act. THE SUPPORTING MEMORANDUM FOR ANY ITEM INCLUDED IN
31 THE AGENDA FOR THE MEETINGS OF THE MONETARY BOARD SHALL BE DISTRIBUTED TO
32 THE MEMBERS AT LEAST THREE (3) WORKING DAYS BEFORE THE SCHEDULED MEETING
33 IN ORDER TO ENABLE THE MEMBERS OF THE BOARD TO STUDY, REVIEW, AND EVALUATE

1 EACH AND EVERY ITEM INCLUDED IN THE AGENDA; PROVIDED, HOWEVER, THAT IN
2 EMERGENCY CASES, PRIOR ONE (1) WORKING DAY BEFORE A MEETING SHALL APPLY;

3 (b) execute and administer the policies and measures approved by the
4 Monetary Board AFTER THEIR EFFECTIVITY;

5 (c) direct and supervise the operations and internal administration of the
6 Bangko Sentral. The Governor may delegate IN WRITING certain of his administrative
7 responsibilities OR SPECIFIC TASKS to other officers or may assign specific tasks or
8 responsibilities to any full-time member of the Monetary Board without additional
9 remuneration or allowance whenever he may deem fit SUBJECT TO SUCH
10 GUIDELINES AND REPORTING REQUIREMENTS AS HE SHALL REQUIRE or subject to such
11 rules and regulations as the Monetary Board may prescribe FOR THE DELEGATED
12 AUTHORITY; PROVIDED, HOWEVER, THAT A POWER OR AUTHORITY DIRECTLY VESTED BY
13 LAW TO BE EXERCISED BY THE MONETARY BOARD UNDER THIS ACT AND/OR UNDER
14 ANY OTHER SPECIAL LAW SHALL NOT BE DELEGATED TO BE EXERCISED BY THE
15 GOVERNOR OR ANY OTHER EXECUTIVE OFFICER OF THE BANGKO SENTRAL, BUT THE
16 POWER OR AUTHORITY EXERCISED BY THE MONETARY BOARD PURSUANT TO LAW
17 THROUGH THE RULES AND REGULATIONS PROMULGATED BY IT, OR THE DECISIONS,
18 RULINGS OR ORDERS ISSUED BY THE MONETARY BOARD SHALL BE IMPLEMENTED OR
19 EXECUTED BY THE GOVERNOR AND/OR OTHER PERTINENT EXECUTIVE OFFICERS OF THE
20 BANGKO SENTRAL.

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

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

32 (f) exercise such other powers as may be vested in him by the Monetary
33 Board.

1 SEC. 10. Section 19 of Republic Act No. 7653 is hereby amended to read as
2 follows:

3 "SEC. 19. *Authority of the Governor In Emergencies.* — In case of emergencies
4 where time is insufficient to call a FORMAL meeting of the Monetary Board, the
5 Governor of the Bangko Sentral, with the concurrence of ~~[two (2)]~~ THREE (3) other
6 members of the Monetary Board, may decide ~~[any]~~ AN URGENT matter or take ~~[any]~~
7 action ~~[within the authority of the Board]~~ RELEVANT TO THE EMERGENCY INVOLVED,
8 WITHOUT FORMALLY CONVENING A MEETING OF THE MONETARY BOARD .

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

11 At the soonest possible time, the Governor shall call a meeting of the
12 Monetary Board to submit his action for ratification."

13 SEC. 11. Section 21 of Republic Act No. 7653 is hereby amended to read as
14 follows:

15 "SEC. 21. *Deputy Governors.* — The Governor of the Bangko Sentral, with the
16 approval of the Monetary Board, shall appoint not more than ~~[three (3)]~~ FIVE (5)
17 Deputy Governors who shall perform duties AND RESPONSIBILITIES CONSISTENT WITH
18 THEIR RESPECTIVE SECTORS ASSIGNED TO THEM BY THE MONETARY BOARD, TO WIT: ~~[as~~
19 ~~may be assigned to them by the Governor and the Board.]~~

20 (A) DEPUTY GOVERNOR FOR THE MONETARY AND CURRENCY MANAGEMENT
21 SECTOR;

22 (B) DEPUTY GOVERNOR FOR SUPERVISION AND EXAMINATION OF
23 COMMERCIAL AND UNIVERSAL BANKS (INCLUDING THEIR SUBSIDIARIES AND
24 AFFILIATES ENGAGED IN FINANCIAL ALLIED UNDERTAKINGS) AS WELL AS
25 GOVERNMENT-OWNED AND CONTROLLED BANKS;

26 (C) DEPUTY GOVERNOR FOR SUPERVISION AND EXAMINATION OF STAND-
27 ALONE RURAL BANKS AND THRIFT BANKS (WHICH ARE NOT AFFILIATED TO UNIVERSAL
28 OR COMMERCIAL BANKS); COOPERATIVE BANKS; AND MICROFINANCE BANKS;

29 (D) DEPUTY GOVERNOR FOR SUPERVISION AND EXAMINATION OF NON-BANK
30 FINANCIAL INTERMEDIARIES WHICH BY SPECIAL LAWS HAVE BEEN PLACED UNDER THE
31 SUPERVISION OF THE BANGKO SENTRAL WHICH INCLUDE INVESTMENT HOUSES;
32 SAVINGS AND LOAN ASSOCIATIONS; PAWNSHOPS; CREDIT CARD COMPANIES;
33 REMITTANCE AGENTS; AND E-MONEY ISSUERS;

1 (E) DEPUTY GOVERNOR FOR HUMAN RESOURCES MANAGEMENT WHO SHALL
2 BE IN CHARGE OF THE ADMINISTRATIVE REQUIREMENTS OF RECRUITMENT,
3 APPOINTMENT, PERFORMANCE EVALUATION, AND THE IMPLEMENTATION OF
4 COMPENSATION AND BENEFITS, PAYROLL SERVICING, LEAVES AND RETIREMENTS AND
5 EMPLOYEE RELATIONS, INCLUDING THE ASSESSMENT OF THE TRAINING NEEDS OF ALL
6 PERSONNEL OF THE BANGKO SENTRAL, AND THE DESIGN AND ADMINISTRATION OF
7 TRAINING PROGRAMS FOR THE RANK AND FILE EMPLOYEES, THE EXECUTIVE
8 DEVELOPMENT AND VALUES ENHANCEMENT COURSES; THE ADMINISTRATION OF THE
9 MEDICAL AND DENTAL CLINIC, AND WHO SHALL SUPERVISE THE CONSTRUCTION,
10 REPAIR AND RENOVATION OF ALL BUILDINGS, OFFICES AND FACILITIES OF THE
11 BANGKO SENTRAL, THE GENERAL UP-KEEP AND MAINTENANCE OF THE MECHANICAL,
12 ELECTRICAL, ELECTRONIC AND AUXILIARY/ACCESSORY EQUIPMENT SYSTEMS OF THE
13 BANGKO SENTRAL AND THE PROTECTION AND SAFEGUARDS OF THE MAIN OFFICE
14 AND OTHER BRANCHES OF THE BANGKO SENTRAL.

15 THE SCOPE OF THE DUTIES AND RESPONSIBILITIES OF EACH AND EVERY DEPUTY
16 GOVERNOR AND THE OFFICES UNDER EACH OF THEM AND THE DELINEATION OF
17 OTHER FUNCTIONS AND ASSIGNMENTS SHALL BE DEFINED OR REFINED AND
18 PRESCRIBED BY THE MONETARY BOARD UPON RECOMMENDATION OF THE
19 GOVERNOR.

20 THE MANAGEMENT OF THE PROVIDENT FUND, THE PROCUREMENT SERVICES,
21 INCLUDING THE SERVICING OF THE BIDS AND AWARDS COMMITTEE AND THE SECURITY
22 PLANT COMPLEX SHALL BE DEFINED AND PRESCRIBED BY THE MONETARY BOARD. THE
23 MONITORING, REPORTING, AND THE INFORMATION TECHNOLOGY APPLICATIONS
24 REQUIRED FOR EACH OF THE OFFICES AND SERVICES REFERRED TO IN THIS
25 PARAGRAPH SHALL ALSO BE SET FORTH BY THE MONETARY BOARD, UPON
26 RECOMMENDATION OF THE GOVERNOR.

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

1 SEC. 12. Section 23 of Republic Act No. 7653 is hereby amended to read as
2 follows:

3 "SEC. 23. *Authority to Obtain Data and Information.* — The Bangko Sentral
4 shall have the authority to ~~[request]~~ REQUIRE from government offices and
5 instrumentalities, or government-owned or controlled corporations, any data which
6 it may require for the proper discharge of its functions and responsibilities. The
7 Bangko Sentral through the Governor or in his absence, a ~~[duly-authorized~~
8 ~~representative]~~ DEPUTY GOVERNOR DULY AUTHORIZED IN WRITING shall have the
9 power to issue a subpoena ~~[for the production of the books and records for the~~
10 ~~aforesaid purpose]~~ SPECIFYING THE DATA REQUIRED AND THE SPECIFIC PURPOSE FOR
11 WHICH SUCH DATA SHALL BE ISSUED. Those who refuse the subpoena without
12 justifiable cause, or who refuse to supply the ~~[bank]~~ BANGKO SENTRAL with data
13 ~~[requested or]~~ required, shall be subject to punishment for contempt in accordance
14 with the provisions of the Rules of Court.

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

22 SEC. 13. Section 24 of Republic Act No. 7653 is hereby amended to read as
23 follows:

24 "Sec. 24. *Training of Technical Personnel.* — The Bangko Sentral shall promote
25 and sponsor the training of technical personnel in the fields of ~~[money and banking]~~
26 BANKING, QUASI-BANKING, NON-BANK FINANCIAL INTERMEDIARIES, MICROFINANCE,
27 DERIVATIVES, ARBITRAGE, FOREIGN EXCHANGE, SAVINGS FORMATION, PAYMENT
28 AND SETTLEMENT SYSTEMS, INFORMATION TECHNOLOGY, MONEY AND CAPITAL
29 MARKETS DEVELOPMENT TRENDS, INNOVATIONS AND PRACTICES AND SUCH OTHER
30 TRAINING PROGRAMS AS THE MONETARY BOARD SHALL APPROVE. Toward this end,
31 the Bangko Sentral is hereby authorized to defray the costs of study, at home or
32 abroad, of qualified employees of the Bangko Sentral, of promising university
33 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."

SEC. 14. Section 25 of Republic Act No. 7653 is hereby amended to read as follows:

"SEC. 25. *Supervision and Examination.* – SUBJECT TO THE PROVISIONS OF SECTION 28 OF THIS ACT, the Bangko Sentral THROUGH THE SUPERVISING AND EXAMINING DEPARTMENT DESIGNATED UNDER THIS ACT shall have supervision over, and conduct [periodic] REGULAR or special examinations of [banking institutions] BANKS and quasi-banks, including their subsidiaries and affiliates engaged in allied activities AND OTHER FINANCIAL INSTITUTIONS WHICH UNDER SPECIAL LAWS ARE SUBJECT TO BANGKO SENTRAL SUPERVISION."

THE BANGKO SENTRAL SHALL ALSO HAVE THE POWER TO REGULATE AND EXAMINE TRANSACTIONS BETWEEN A SUPERVISED INSTITUTION AND ITS PARENT COMPANY.

For purposes of THE FIRST PARAGRAPH OF this Section, a subsidiary means a corporation more than fifty percent (50%) of the voting stock of which is owned DIRECTLY OR INDIRECTLY 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.

IN CONNECTION WITH THE SECOND PARAGRAPH OF THIS SECTION, A PARENT COMPANY MEANS A CORPORATION WHICH OWNS DIRECTLY OR INDIRECTLY VOTING STOCK OF A SUPERVISED INSTITUTION OF THE BANGKO SENTRAL SUFFICIENT TO CONTROL ITS MANAGEMENT AND OPERATIONS.

AS USED IN THIS SECTION, CONTROL EXISTS WHEN THE PARENT OWNS DIRECTLY OR INDIRECTLY MORE THAN ONE-HALF OF THE STOCK OF A SUPERVISED INSTITUTION. CONTROL ALSO EXISTS EVEN WHEN THE PARENT OWNS ONE-HALF OR LESS OF THE VOTING STOCK OF THE SUPERVISED INSTITUTION WHEN THERE IS POWER OVER MORE THAN ONE-HALF OF THE VOTING RIGHTS BY PROXY OR BY VIRTUE OF AN AGREEMENT WITH OTHER INVESTORS WHICH THEREBY ENABLES THE PARENT COMPANY TO CAST THE MAJORITY OF VOTES AT MEETINGS OF THE STOCKHOLDERS OF THE SUPERVISED INSTITUTION, OR TO ELECT THE MAJORITY OF MEMBERS OF THE BOARD OF DIRECTORS OF THE SUPERVISED INSTITUTION OR TO APPOINT KEY EXECUTIVE OFFICERS WHO SHALL

1 DIRECTLY OR INDIRECTLY CONTROL THE MANAGEMENT AND OPERATIONS OF THE
2 SUPERVISED INSTITUTION.

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

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

22 SEC. 15. Section 26 of Republic Act No. 7653 is hereby amended to read as
23 follows:

24 "SEC. 26. *Bank Deposits [and Investments]*. — Any director, officer or
25 stockholder who, together with his related interest, contracts a loan or any form of
26 financial accommodation from: (1) his bank; or (2) from a bank (a) which is a
27 subsidiary of a bank holding company of which both his bank and the lending bank
28 are subsidiaries or (b) in which a controlling proportion of the shares is owned by the
29 same interest that owns a controlling proportion of the shares of his bank, in excess
30 of five percent (5%) of the capital and surplus of the bank, or in the maximum
31 amount permitted by law, whichever is lower, shall be required by the lending bank
32 to waive the secrecy of his deposits of whatever nature in all banks in the Philippines.
33 Any information obtained from an examination of his deposits shall be held strictly
34 confidential and may be used by the examiners only in connection with their

1 supervisory and examination responsibility or by the Bangko Sentral in an
2 appropriate legal action it has initiated involving the deposit account.

3 RELATED INTEREST, AS USED IN THIS SECTION, SHALL REFER TO STOCKHOLDINGS
4 OF FAMILY GROUPS OR CORPORATE HOLDINGS OF THE SAME FAMILY GROUPS OR
5 SAME GROUPS OF PERSONS AS DEFINED IN SECTION 12 AND SECTION 13 OF REPUBLIC
6 ACT NO. 8791 OTHERWISE KNOWN AS THE GENERAL BANKING LAW OF 2000 WHO
7 CONTROL OR OWN AT LEAST FORTY PERCENT (40%) OF THE VOTING STOCK OF A
8 BANK, QUASI BANK, AND OTHER FINANCIAL INSTITUTION WHICH IS SUBJECT TO
9 SUPERVISION BY THE BANGKO SENTRAL; RELATED INTEREST MAY ALSO REFER TO A
10 HOLDING COMPANY THAT CONTROLS OR OWNS AT LEAST FORTY PERCENT (40%) OF
11 THE VOTING STOCK AS A GROUP, OF BANKS, QUASI BANKS AND OTHER FINANCIAL
12 INSTITUTIONS WHICH ARE SUBJECT TO SUPERVISION BY THE BANGKO SENTRAL."

13 SEC. 16. Section 27 of Republic Act No. 7653 is hereby amended to read as
14 follows:

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

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

22 (b) directly or indirectly requesting or receiving any VALUABLE gift, ~~[present]~~
23 IN KIND or pecuniary or material benefit for himself/HERSELF or ~~[another]~~ FOR A
24 RELATIVE WITHIN THE FIRST DEGREE OF CONSANGUINITY OR AFFINITY from any
25 institution subject to supervision or examination by the Bangko Sentral;

26 (c) revealing in any manner, except under orders of the court, the ~~[Congress]~~
27 HOUSE OF REPRESENTATIVES OR THE SENATE OR ANY OF THE APPROPRIATE
28 COMMITTEES THEREIN or any government office or agency authorized by law, or
29 under such conditions as may be prescribed by the Monetary Board, information
30 relating to the condition or business of any institution UNDER ITS SUPERVISION. This
31 prohibition shall not be held to apply to the giving of information to the Monetary
32 Board or the Governor of the Bangko Sentral, or to any person authorized by either
33 of them, in writing, to receive such information; and

(d) 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. 17. Section 28 of Republic Act No. 7653 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 AND RECORDS of every banking, OR QUASI-BANKING OR NON-BANK FINANCIAL 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]~~ SUBMIT AN EXECUTIVE SUMMARY OF THE FINDINGS OF EXAMINATION WITH THE REPORT OF EXAMINATION ATTACHED THERETO FOR READY REFERENCE to the Monetary Board: *Provided, That* there shall be an interval of at least twelve (12) months between annual examinations.

THE SUPERVISED INSTITUTIONS UNDER THIS SECTION SHALL BE GIVEN THE OPPORTUNITY TO REBUT/REFUTE IN WRITING ANY OR ALL OF THE FINDINGS OF THE EXAMINERS OF THE SUPERVISING AND EXAMINATION DEPARTMENT OF THE BANGKO SENTRAL IN AN EXIT CONFERENCE BEFORE THE REPORT OF EXAMINATION IS FINALIZED. THE WRITTEN EXPLANATIONS, IF ANY, OF THE SUPERVISED INSTITUTION UNDER EXAMINATION SHALL BE PART OF THE REPORT OF EXAMINATION WITH COMMENTS IF DEEMED WARRANTED BY THE EXAMINERS INVOLVED.

The bank, OR QUASI-BANK OR NON-BANK FINANCIAL INSTITUTION 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.

1 Banking, ~~and~~ quasi-banking, AND NON-BANK FINANCIAL institutions which
2 are subject to examination by the Bangko Sentral shall pay to the Bangko Sentral,
3 within the first thirty (30) days of each year, an annual fee in an amount equal to a
4 percentage as may be prescribed by the Monetary Board of its average total
5 assets during the preceding year as shown on its end-of-QUARTER ~~month balance~~
6 ~~sheets~~ STATEMENT OF CONDITION, after deducting cash on hand and amounts due
7 from banks, QUASI-BANKS, AND OTHER FINANCIAL INSTITUTIONS, including the
8 Bangko Sentral and banks abroad."

9 SEC. 18. Section 29 of Republic Act No. 7653 is hereby amended to read as
10 follows:

11 SEC. 29. *Appointment of Conservator.* — Whenever, on the basis of a report
12 OF EXAMINATION submitted by the appropriate supervising or examining
13 department OF THE BANGKO SENTRAL, the Monetary Board, IN CONSULTATION WITH
14 THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC), CONFIRMS ~~finds~~ that a
15 bank or a quasi-bank is in a state of continuing inability or unwillingness to maintain a
16 condition of liquidity deemed adequate to protect the interest of depositors and
17 creditors, OR CONTINUES TO SUFFER CHRONIC RESERVE ^{or} OR CAPITAL DEFICIENCIES
18 WHICH, IF NOT CORRECTED, WILL EVENTUALLY RESULT IN INSOLVENCY, the Monetary
19 Board, IN ORDER TO AVERT THE THREATENED INSOLVENCY OF THE BANK, ~~may~~ SHALL
20 appoint a conservator WHO SHALL INTRODUCE AND ADOPT MANAGEMENT
21 REFORMS AND CORRECTIVE MEASURES THAT WILL ENABLE THE BANK TO RESTORE AND
22 MAINTAIN ITS VIABILITY. THE CONSERVATOR ~~with~~ SHALL HAVE such powers as the
23 Monetary Board shall deem necessary to ENABLE HIM TO take charge of the assets,
24 liabilities, and the management thereof, reorganize the management, collect all
25 monies and debts due said institution, PLACE OR INVEST ITS FUNDS IN READILY
26 MARKETABLE SECURITIES AND INVESTMENTS, SELL, IF NECESSARY, REAL PROPERTIES
27 AND OTHER FIXED ASSETS TO MEET ITS OBLIGATIONS, and exercise all powers
28 ~~necessary~~ to restore AND MAINTAIN its viability. The conservator shall report and be
29 responsible to the Monetary Board, WITH A COPY OF SUCH REPORT FURNISHED THE
30 PDIC, and shall have the power to overrule or revoke the actions of the previous
31 management and board of directors of the bank or quasi-bank, EXCEPT THAT SUCH
32 POWER CANNOT EXTEND TO THE POST FACTO REPUDIATION OF PERFECTED
33 CONTRACTS THAT INFRINGE AGAINST THE NON-IMPAIRMENT CLAUSE OF THE
34 CONSTITUTION.

1 The conservator should be competent and knowledgeable in bank
2 operations and management. The conservatorship shall not exceed one (1) year,
3 WHICH MAY BE EXTENDED FOR A PERIOD OF NOT MORE THAN SIX (6) MONTHS, AS
4 MAY BE APPROVED BY THE MONETARY BOARD. The conservator shall receive
5 remuneration to be fixed by the Monetary Board, PAYABLE IN MONTHLY PAYMENTS
6 TO BE FIXED BY THE MONETARY BOARD: ~~[in an amount not to exceed two-thirds (2/3)~~
7 ~~of the salary of the president of the institution in one (1) year, payable in twelve (12)~~
8 ~~equal monthly payments;]~~ Provided, That, if at any time within the one-year period,
9 the conservatorship is terminated on the ground that the institution can operate on
10 its own, the conservator shall receive the balance of the remuneration which he
11 would have received up to the end of the year; but if the conservatorship is
12 terminated on other grounds, the conservator shall not be entitled to such remaining
13 balance. The Monetary Board ~~[may appoint a conservator connected with the~~
14 ~~Bangko Sentral,]~~ SHALL AUTHORIZE THE CONSERVATOR TO APPOINT A CORE GROUP
15 OF PROFESSIONALS TO ASSIST HIM IN THE PERFORMANCE OF HIS POWERS AND DUTIES
16 AS CONSERVATOR, in which case, ~~[he]~~ THEY shall ~~[not]~~ be entitled to receive ~~[any]~~
17 remuneration or emoluments THAT THE MONETARY BOARD SHALL DETERMINE ~~[from~~
18 ~~the Bangko Sentral]~~ during the PERIOD OF conservatorship. The expenses attendant
19 to the conservatorship shall be borne by the bank or quasi-bank concerned.

20 UPON THE REQUEST OF THE CONSERVATOR, THE MONETARY BOARD MAY
21 AUTHORIZE THE GRANT OF EMERGENCY LOANS OR ADVANCES TO THE INSTITUTION TO
22 MEET IN A TIMELY MANNER ITS MATURING OBLIGATIONS OR UNUSUAL DEPOSIT
23 WITHDRAWALS WHILE THE CONSERVATOR IS IN THE PROCESS OF COLLECTING MONIES
24 AND DEBTS DUE THE INSTITUTION UNDER CONSERVATORSHIP, OR LIQUEFYING ITS
25 ASSETS TO RECOVER FROM ITS ILLIQUID CONDITION AND THEREBY RESTORE THE BANK
26 TO NORMALCY. THE BANGKO SENTRAL SHALL REQUIRE COLLATERALS FOR SUCH
27 EMERGENCY LOANS OR ADVANCES, PROVIDED THAT IF THE COLLATERALS ARE
28 AUTHORIZED TO BE SOLD OR DISPOSED OF, THE PROCEEDS SHALL BE APPLIED TO PAY
29 OR PREPAY THE LOANS OR ADVANCES, OR PORTIONS THEREOF, AS THE BANGKO
30 SENTRAL MAY STIPULATE.

31 DURING THE PERIOD OF CONSERVATORSHIP, THE PDIC SHALL HAVE THE
32 AUTHORITY TO EXAMINE THE BANK UNDER CONSERVATORSHIP, INQUIRE INTO OR
33 EXAMINE THE DEPOSIT ACCOUNTS THEREIN, AND/OR CONDUCT A DUE DILIGENCE

1 AUDIT OF THE BANK IN PREPARATION FOR THE POSSIBLE ESTABLISHMENT,
2 ORGANIZATION AND OPERATION OF A BRIDGE BANK.

3 The Monetary Board shall terminate the conservatorship when it is satisfied
4 that the institution can continue to operate on its own and the conservatorship is no
5 longer necessary. The conservatorship shall likewise be terminated should the
6 Monetary Board, on the basis of the report of the conservator or of its own findings,
7 determine that the continuance in business of the institution, DESPITE THE REMEDIAL
8 MEASURES THAT HAVE BEEN ADOPTED, CONTINUE TO EXPERIENCE ILLIQUIDITY AND
9 OTHER RELATED FINANCIAL STRESSES, SUCH THAT THE GROUNDS FOR RECEIVERSHIP
10 AND LIQUIDATION OF THE INSTITUTION BECOME WARRANTED, ~~[would involve~~
11 ~~probable loss to its depositors or creditors,]~~ in which case the provisions of Section 30
12 shall apply."

13 SEC. 19. Section 30 of Republic Act No. 7653 is hereby amended to read as
14 follows:

15 "SEC. 30. *Proceedings in Receivership and Liquidation.* – Whenever, [upon]
16 ON THE BASIS OF A report of ~~[the head of the supervising or examining department]~~
17 EXAMINATION, the Monetary Board finds OR CONFIRMS^{may} that a bank or quasi-bank:

18 (a) HAS NOTIFIED THE BANGKO SENTRAL OR PUBLICLY ANNOUNCED A
19 UNILATERAL CLOSURE, OR HAS BEEN DORMANT FOR AT LEAST SIXTY (60) DAYS OR IN
20 ANY MANNER HAS SUSPENDED THE PAYMENT OF ITS DEPOSIT/DEPOSIT LIABILITIES, OR is
21 unable to pay its liabilities as they become due in the ordinary course of business;
22 *Provided, That* this shall not include inability to pay caused by extraordinary
23 demands induced by financial panic in the banking OR FINANCIAL community; OR

24 (b) has insufficient realizable assets TO MEET ITS LIABILITIES, as determined by
25 the Bangko Sentral~~[-to meet its liabilities]~~ IN ACCORDANCE WITH BANKING
26 REGULATIONS; or

27 (c) cannot continue in business without involving SUBSTANTIAL probable losses
28 to its depositors or creditors RELATIVE TO THE SIZE OF THE INSTITUTION CONCERNED; or

29 (d) has willfully violated a cease and desist order under Section 37 that has
30 become final, involving acts or transactions which amount to fraud or a dissipation
31 of the assets of the institution; in which cases, the Monetary Board may summarily
32 and without need for prior hearing forbid the institution from doing business in the
33 Philippines, and IN CASE IT IS A BANK designate the Philippine Deposit Insurance
34 Corporation as receiver of the banking institution. THE MONETARY BOARD SHALL

1 NOTIFY IN WRITING THE BOARD OF DIRECTORS OF ITS FINDINGS AND DIRECT THE PDIC
2 TO PROCEED WITH THE LIQUIDATION OF THE CLOSED BANKING INSTITUTION PURSUANT
3 TO PARAGRAPH 6 OF THIS SECTION.

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

6 THE AUTHORITY OF THE MONETARY BOARD TO PLACE A BANK OR QUASI-BANK
7 UNDER RECEIVERSHIP AS PROVIDED ABOVE SHALL ALSO BE EXERCISED OVER OTHER
8 NON-BANK FINANCIAL INSTITUTIONS WHICH UNDER THIS ACT OR SPECIAL LAWS ARE
9 SUBJECT TO BANGKO SENTRAL SUPERVISION, BASED ON THE SAME APPLICABLE
10 GROUNDS. FOR THIS PURPOSE, ANY PERSON OF RECOGNIZED COMPETENCE IN
11 BANKING, CREDIT AND FINANCE MAY BE DESIGNATED AS A RECEIVER.

12 The receiver shall immediately gather, take charge of, MANAGE AND
13 CONTROL all the assets, WHICH, IN CASE OF A BANK, SHALL INCLUDE ITS LICENSE,
14 and liabilities of the institution, administer the same for the benefit of its creditors,
15 and, exercise the general powers of a receiver under EXISTING LAWS AND the
16 Revised Rules of Court. HOWEVER, THE DISPOSITION OF THE LICENSE BY THE RECEIVER
17 SHALL BE SUBJECT TO THE APPROVAL OF THE MONETARY BOARD. THE RECEIVER SHALL
18 ADDITIONALLY HAVE THE AUTHORITY TO: (1) ~~[but shall not, with the exception of]~~ PAY
19 administrative expenditures, ~~[pay or commit any act that will involve the transfer~~
20 ~~or disposition of any asset of the institution: Provided, That the receiver may]~~ (2)
21 deposit or place the funds of the institution in non-speculative investments, OR (3)
22 ADOPT, IF DEEMED APPROPRIATE BY THE RECEIVER, BRIDGE BANKING AS A
23 RESOLUTION METHOD, AS GOVERNED BY SECTION 30-B OF THIS ACT. The receiver OF
24 QUASI-BANKS AND NON-BANK FINANCIAL INSTITUTIONS shall determine as soon as
25 possible, but not later than ninety (90) days from take-over, whether ~~[the]~~ SUCH
26 institution may be rehabilitated or otherwise placed in such a condition so
27 that it may be permitted to resume business with safety to its ~~[depositors~~
28 ~~and]~~ creditors and the general public: *Provided, That* any determination for the
29 resumption of business of the institution shall be subject to prior approval of the
30 Monetary Board.

31 IN ORDER TO REHABILITATE THE CLOSED INSTITUTION OR TO RESTORE ITS
32 OPERATIONS WITH SAFETY TO ITS CREDITORS AND THE GENERAL PUBLIC OR TO MERGE
33 OR CONSOLIDATE THE CLOSED INSTITUTION WITH ANOTHER QUALIFIED INSTITUTION,
34 THE RECEIVER OF QUASI-BANKS AND OTHER NON-BANK FINANCIAL INSTITUTIONS MAY

1 IMMEDIATELY TRANSFER OR DISPOSE OF ANY OR ALL OF THE ASSETS OF THE CLOSED
2 INSTITUTION AND PERFORM SUCH OTHER ACTS AS MAY BE AUTHORIZED BY LAW.

3 If the receiver OF QUASI-BANK AND OTHER NON-BANK FINANCIAL INSTITUTIONS
4 determines that the institution cannot be rehabilitated or permitted to resume
5 business in accordance with the next preceding paragraph OF THIS SECTION, the
6 Monetary Board shall notify in writing the board of directors of its findings and direct
7 the receiver to proceed with the liquidation of the institutions. The receiver shall:

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

18 2. convert the assets of the institution to money, dispose of the same to
19 creditors and other parties, for the purpose of paying the debts of such institution in
20 accordance with the rules on concurrence and preference of credit under the Civil
21 Code of the Philippines and he may, in the name of the institution, and with the
22 assistance of counsel as he may retain, institute such actions as may be necessary to
23 collect and recover accounts and assets of, or defend any action against, the
24 institution. The assets of an institution under receivership or liquidation shall be
25 deemed in custodia legis in the hands of the receiver and shall, from the moment
26 the institution was placed under such receivership or liquidation, be exempt from
27 any order of garnishment, levy, attachment, or execution.

28 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
30 the court except on petition for certiorari on the ground that the action taken was in
31 excess of jurisdiction or with such grave abuse of discretion as to amount to lack or
32 excess of jurisdiction. The petition for certiorari may only be filed by the stockholders
33 of record representing the majority of the capital stock within ten (10) days from

1 receipt by the board of directors of the institution of the order directing receivership,
2 liquidation or conservatorship.

3 The designation of a conservator under Section 29 of this Act or the
4 appointment of a receiver under this section shall be vested exclusively with the
5 Monetary Board. ~~[Furthermore, the designation of a conservator is not a~~
6 ~~precondition to the designation of a receiver.]"~~

7 SEC. 20. A new section entitled section 30-A of the same Act shall be inserted
8 between Section 30 and Section 30-B which shall read as follows:

9 "SEC. 30-A. *PROMPT CORRECTIVE ACTION (PCA)*. - WHENEVER ON THE BASIS
10 OF THE REPORT OF EXAMINATION (ROE), THE MONETARY BOARD FINDS THAT A BANK
11 OR NON-BANK FINANCIAL INSTITUTION PERFORMING QUASI-BANK FUNCTIONS IS
12 CAPITAL DEFICIENT AND FAILS TO COMPLY WITH MINIMUM CAPITAL REQUIREMENTS
13 PRESCRIBED UNDER EXISTING LAWS AND IMPLEMENTING REGULATIONS, THE
14 MONETARY BOARD SHALL TAKE PROMPT CORRECTIVE ACTION DIRECTING THE ENTITIES
15 AFOREMENTIONED TO INFUSE ADDITIONAL CAPITAL UP TO AN AMOUNT TO RESTORE
16 THEIR CAPITAL TO THE MINIMUM REQUIRED AMOUNT. THE AFFECTED ENTITIES SHALL BE
17 GIVEN A PERIOD OF NOT LESS THAN (10) MONTHS FROM THE DATE OF RECEIPT OF THE
18 DIRECTIVE OF THE MONETARY BOARD TO COMPLY WITH THE CAPITAL RESTORATION
19 PROGRAM. IF IT IS SHOWN THAT THE AFFECTED ENTITY HAS TAKEN EARNEST EFFORTS TO
20 COMPLY WITH THE MANDATE OF THE MONETARY BOARD, THE AFFECTED ENTITY SHALL
21 BE GIVEN BY THE MONETARY BOARD AN EXTENSION OF ANOTHER FOUR (4) MONTHS
22 TO COMPLY WITH THE MONETARY BOARD DIRECTIVE.

23 IN CASE THE REPORT OF EXAMINATION (ROE) OF THE AFFECTED ENTITY ALSO
24 SHOWS THAT IT ALSO FAILED TO REMEDIATE CORPORATE MANAGEMENT
25 INADEQUACIES AND/OR NEEDS TO INSTITUTE ADMINISTRATIVE REFORMS THAT ARE
26 AUTHORIZED TO BE PRESCRIBED UNDER THIS ACT OR SPECIAL LAWS, THE MONETARY
27 BOARD, IN ADDITION TO AND APART FROM INSTITUTING PROMPT CORRECTIVE
28 ACTION THAT DEALS SPECIFICALLY WITH THE CAPITAL DEFICIENCY PROBLEM, MAY
29 IMPOSE OTHER SUPERVISORY INTERVENTIONS THAT ARE AUTHORIZED UNDER THIS ACT
30 OR SPECIAL LAWS.

31 IN THE EVENT THAT THE AFFECTED BANK IS A RURAL BANK WHICH IS UNABLE TO
32 COMPLY WITH THE CAPITAL RESTORATION PROGRAM INSTITUTED BY THE MONETARY
33 BOARD WITHIN THE PRESCRIBED PERIOD AND IN ORDER TO PREVENT THE RURAL BANK
34 AFFECTED FROM BEING CLOSED, THEN IN THAT EVENT, ANOTHER RURAL BANK SHALL

1 BE GIVEN THE RIGHT OF FIRST REFUSAL TO INVEST OR CONSOLIDATE OR MERGE WITH
2 THE SAID BANK OR TO ACQUIRE THE ASSETS AND ASSUME THE LIABILITIES OF SAID
3 RURAL BANK IN ORDER TO RESTORE THE NORMAL OPERATIONS OF SAID RURAL BANK,
4 TO THE EXCLUSION OF OTHER CATEGORIES OF BANKS UNLESS NO OTHER RURAL BANK
5 OF GOOD STANDING EXPRESSES TO EXERCISE THE RIGHT OF FIRST REFUSAL PROVIDED
6 UNDER THIS SECTION. THE RURAL BANKERS ASSOCIATION OF THE PHILIPPINES SHALL BE
7 OFFICIALLY NOTIFIED BY THE MONETARY BOARD IN WRITING OF THE RIGHT OF FIRST
8 REFUSAL MADE AVAILABLE UNDER THIS SECTION IN ORDER THAT ALL RURAL BANKS OF
9 GOOD STANDING SHALL BE NOTIFIED OF THE EXISTENCE OF THE RIGHT OF FIRST
10 REFUSAL.

11 IN CASE THE AFFECTED BANK IS A GOVERNMENT BANK OR A GOVERNMENT
12 QUASI-BANK WITH ORIGINAL STATUTORY CHARTERS, INFUSION OF ADDITIONAL
13 CAPITAL BEYOND WHAT IS PRESCRIBED IN THEIR CHARTERS SHALL BE UNDERTAKEN
14 THROUGH AMENDATORY LEGISLATION. HOWEVER, ISSUES OF CAPITAL NOTES
15 SUBORDINATED TO OTHER CREDITS BUT SUPERIOR TO THE EQUITY OF STOCKHOLDERS
16 IN THE ORDER OF PREFERENCE OF CLAIMS AGAINST THE AFFECTED GOVERNMENT
17 FINANCIAL INSTITUTION IS HEREBY AUTHORIZED TO ~~BE~~ ISSUED, WITH NATIONAL
18 GOVERNMENT GUARANTEE AND SHALL BE QUALIFIED AS EQUIVALENT TO THE
19 REQUIRED CAPITAL INFUSION."

20 SEC. 21. A new section entitled section 30-B of the same Act shall be inserted
21 between Sections 30-A and 31 which shall read as follows:

22 "SEC. 30-B. *BRIDGE BANKING*. - (A) THE PHILIPPINE DEPOSIT INSURANCE
23 CORPORATION (PDIC) MAY FORM, ESTABLISH, ORGANIZE, AND OPERATE AND/OR
24 CONTRACT TO OPERATE SUBSIDIARIES OR CORPORATIONS WHOSE PRIMARY PURPOSE
25 IS TO OPERATE AS A BRIDGE BANK AND/OR MANAGE ACQUIRED ASSETS OF THE PDIC.

26 (B) A BRIDGE BANK REFERS TO A TEMPORARY BANK LICENSED BY THE BANGKO
27 SENTRAL, ESTABLISHED AND OPERATED TO ACQUIRE ASSETS AND ASSUME LIABILITIES
28 OF A FAILED BANK. THE BRIDGE BANK SHALL HAVE AUTHORITY TO PURCHASE ASSETS,
29 ASSUME DEPOSITS AND OTHER LIABILITIES WHICH THE PDIC MAY DETERMINE TO BE
30 APPROPRIATE; AND PERFORM SUCH OTHER BANKING FUNCTIONS AS THE MONETARY
31 BOARD MAY AUTHORIZE, CONSISTENT WITH THE OBJECTIVES OF THIS SECTION.

32 (C) A BRIDGE BANK RESOLUTION MEASURE MAY BE ADOPTED ONLY IF THE
33 BOARD OF DIRECTORS DETERMINES THAT IT IS A COST-EFFECTIVE AND VIABLE
34 RESOLUTION MEASURE AND THE AMOUNT NECESSARY TO IMPLEMENT SUCH MEASURE

1 IS LESS THAN THE ESTIMATED INSURED DEPOSITS OF THE FAILED BANK; AND THE
2 PRESERVATION OF CRITICAL BANKING FUNCTIONS IS IN THE BEST INTEREST OF THE
3 DEPOSITORS AND THE PUBLIC.

4 (D) FOR THE EFFECTIVE IMPLEMENTATION OF A BRIDGE BANK RESOLUTION
5 MEASURE, THE PDIC MAY:

- 6 1. SELL, ASSIGN, TRANSFER, OR CONVEY ITS SHAREHOLDINGS IN ITS
7 SUBSIDIARY TO THE FAILED BANK;
- 8 2. TRANSFER SUCH ASSETS AND DEPOSIT LIABILITIES OF A FAILED BANK TO
9 THE BRIDGE BANK, AS THE PDIC MAY DEEM APPROPRIATE. ALL
10 TRANSFERS UNDER THIS SUBSECTION SHALL:
 - 11 i. NOT BE SUBJECT TO ANY TAXES, SUCH AS CAPITAL GAINS TAX, AS
12 WELL AS INCOME TAX, VALUE ADDED TAX AND DOCUMENTARY
13 STAMP TAX, AND OTHER TAXES, AS MAY BE APPLICABLE;
 - 14 ii. BE CONSIDERED *IN CUSTODIA LEGIS* IN THE HANDS OF THE BRIDGE
15 BANK. FROM THE TIME THE ASSETS ARE TRANSFERRED TO A BRIDGE
16 BANK, ITS ASSETS SHALL NOT BE SUBJECT TO ATTACHMENT,
17 EXECUTION, GARNISHMENT, LEVY, ~~FORE~~CLOSURE OR ANY OTHER
18 COURT PROCESSES. THEREFORE, A JUDGE, OFFICER OF THE COURT
19 OR ANY PERSON WHO SHALL ISSUE, ORDER, PROCESS OR CAUSE THE
20 ISSUANCE OR IMPLEMENTATION OF THE WRIT OF GARNISHMENT,
21 LEVY, ATTACHMENT OR EXECUTION SHALL BE LIABLE UNDER SECTION
22 22 HEREOF.
 - 23 iii. BE EFFECTIVE WITHOUT ANY CONSENT FROM THE STOCKHOLDERS,
24 CREDITORS, STAKEHOLDERS OF THE FAILED BANK,
25 NOTWITHSTANDING ANY PROVISION OF LAW TO THE CONTRARY.
- 26 3. MAKE ADVANCES TO THE BRIDGE BANK OR CLOSED BANK, UPON SUCH
27 TERMS AND CONDITIONS AND IN SUCH FORM AND AMOUNTS AS THE
28 PDIC MAY PRESCRIBE, SUFFICIENT FUNDS FOR THE BRIDGE BANK TO
29 OPERATE. THESE ADVANCES SHALL PARTAKE OF THE NATURE OF PUBLIC
30 FUNDS, AND AS SUCH, MUST BE CONSIDERED A PREFERRED CREDIT
31 SIMILAR TO TAXES DUE TO THE NATIONAL GOVERNMENT IN THE ORDER
32 OF PREFERENCE UNDER ARTICLE 2224 OF THE NEW CIVIL CODE;
- 33 4. CONDUCT DUE DILIGENCE ON AN INSURED BANK, AND EXAMINE AND
34 AUDIT THE DEPOSIT ACCOUNTS AND/OR RECORDS, OF AN INSURED

1 BANK, SO AS TO ESTABLISH A DEPOSIT PROFILE OF THE BANK AS TO THE
2 NUMBER OF DEPOSIT ACCOUNTS AND TOTAL INSURED DEPOSITS:
3 PROVIDED, THAT THE INFORMATION ON INDIVIDUAL ACCOUNTS
4 OBTAINED THROUGH SUCH EXAMINATION OR AUDIT SHALL NOT BE
5 DISCLOSED OR RELEASED TO ANY OTHER PARTY EXCEPT TO THE BOARD
6 OF DIRECTORS OF THE PDIC OR UPON ORDER OF THE COURT; AND

7 5. APPOINT, INSTALL, DESIGNATE, AND/OR REMOVE THE DIRECTORS AND
8 OFFICERS OF A BRIDGE BANK AND FIX THEIR COMPENSATION.

9 (E) THE 90-DAY PERIOD PROVIDED UNDER SECTION 30 OF REPUBLIC ACT 7653,
10 AS AMENDED, WITHIN WHICH THE RECEIVER SHALL DETERMINE WHETHER THE
11 INSTITUTION MAY BE REHABILITATED SHALL NOT BE APPLICABLE.

12 (F) THE BRIDGE BANK SHALL TERMINATE AT THE END OF TWO (2) YEARS
13 FOLLOWING THE DATE IT WAS GRANTED A BANKING LICENSE, SUBJECT TO THE
14 PROVISIONS IN THE PARAGRAPHS (G) AND (H); PROVIDED, FURTHER, THAT THE PDIC
15 MAY EXTEND THE STATUS OF THE BRIDGE BANK IF DEEMED NECESSARY TO CONCLUDE
16 PENDING NEGOTIATIONS FOR THE SALE, MERGER OR ACQUISITION OF THE BRIDGE
17 BANK BY A BUYER OR ACQUIRER: PROVIDED, FINALLY, THAT THE MAXIMUM EXTENSION
18 SHALL BE ONE (1) YEAR.

19 (G) TERMINATION OF BRIDGE BANK. - THE STATUS OF ANY BRIDGE BANK AS
20 SUCH SHALL TERMINATE UPON THE EARLIEST OF—

- 21 1. THE MERGER OR CONSOLIDATION OF THE BRIDGE BANK WITH ANOTHER
22 BANK THAT IS NOT A BRIDGE BANK; OR
- 23 2. THE SALE OF THE BRIDGE BANK TO A QUALIFIED BUYER, AS MAY BE
24 DETERMINED BY THE PDIC; OR
- 25 3. THE ASSUMPTION OF ALL OR SUBSTANTIALLY ALL OF THE (i) DEPOSITS AND
26 OTHER LIABILITIES AND/OR (ii) ASSETS OF THE BRIDGE BANK BY AN
27 INSURED BANK THAT IS NOT A BRIDGE BANK, OR OTHER ENTITY AS
28 PERMITTED UNDER APPLICABLE LAW. FOLLOWING THE ASSUMPTION OF
29 ALL OR SUBSTANTIALLY ALL OF THE LIABILITIES OF THE BRIDGE BANK AND
30 THE SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF THE BRIDGE
31 BANK, THE BRIDGE BANK SHALL BE LIQUIDATED IN ACCORDANCE WITH
32 THE PROVISIONS OF LAW RELATING TO THE LIQUIDATION OF CLOSED
33 BANKS; AND

1 4. THE EXPIRATION OF THE PERIOD PROVIDED IN PARAGRAPH (F), OR THE
2 EARLIER DISSOLUTION OF THE BRIDGE BANK AS PROVIDED IN
3 PARAGRAPH (H).

4 (H) DISSOLUTION OF BRIDGE BANK.- NOTWITHSTANDING ANY OTHER
5 PROVISION OF LAW TO THE CONTRARY, IF THE BRIDGE BANK'S STATUS AS SUCH HAS
6 NOT PREVIOUSLY BEEN TERMINATED BY THE OCCURRENCE OF AN EVENT SPECIFIED IN
7 SUBPARAGRAPH (1), (2) OR (3), OF PARAGRAPH (G), THE BOARD OF DIRECTORS OF
8 PDIC, MAY DISSOLVE A BRIDGE BANK AT ANY TIME IT DEEMS NECESSARY. THE PDIC,
9 AS SUCH RECEIVER, SHALL WIND UP THE AFFAIRS OF THE BRIDGE BANK IN
10 CONFORMITY WITH THE PROVISIONS OF LAW RELATING TO THE LIQUIDATION OF
11 CLOSED BANKS. WITH RESPECT TO ANY SUCH BRIDGE BANK, THE PDIC, AS SUCH
12 RECEIVER, SHALL HAVE ALL THE RIGHTS, POWERS, AND PRIVILEGES, AND SHALL
13 PERFORM THE DUTIES RELATED TO THE EXERCISE OF SUCH RIGHTS, POWERS, OR
14 PRIVILEGES GRANTED BY LAW TO A RECEIVER OF ANY INSURED BANK.

15 (I) MATTERS RELATING TO THE EXERCISE BY THE PDIC OF THE FUNCTIONS UNDER
16 THIS SECTION SHALL BE SUBJECT TO VISITORIAL AUDIT ONLY.

17 (J) THE ACTIONS OF THE PDIC UNDER THIS SECTION SHALL BE FINAL AND
18 EXECUTORY, AND MAY NOT BE RESTRAINED OR SET ASIDE BY THE COURT, EXCEPT ON
19 PETITION FOR CERTIORARI WITH THE COURT OF APPEALS ON THE GROUND THAT THE
20 ACTION WAS TAKEN IN EXCESS OF JURISDICTION OR WITH SUCH GRAVE ABUSE OF
21 DISCRETION AS TO AMOUNT TO A LACK OR EXCESS OF JURISDICTION. THE PETITION
22 FOR CERTIORARI MAY ONLY BE FILED WITHIN TEN (10) DAYS FROM PUBLICATION OF
23 THE NOTICE ON THE ESTABLISHMENT OF A BRIDGE BANK.

24 (K) THE PDIC SHALL PROMULGATE THE IMPLEMENTING RULES AND
25 REGULATIONS TO IMPLEMENT THE PROVISIONS OF THIS SECTION.

26 SEC. 22. Section 33 of Republic Act No. 7653 is hereby amended to read as
27 follows:

28 "SEC. 33. *Disposition of Banking Franchise.* — The Bangko Sentral may, if
29 public interest so requires, award to an institution, upon such terms and conditions as
30 the Monetary Board may approve, the banking franchise of a CLOSED bank [~~under~~
31 ~~liquidation~~] to operate in the area where said bank or its branches were previously
32 operating: *Provided, That whatever proceeds may be realized from such award*
33 *shall be* [~~subject to the appropriate exclusive disposition of the Monetary Board~~] FOR
34 THE BENEFIT OF THE CREDITORS OF THE CLOSED BANK."

1 SEC. 23. Section 36 of Republic Act No. 7653 is hereby amended to read as
2 follows:

3 "SEC. 36. *Proceedings Upon Violation of this Act and Other Banking Laws,*
4 *Rules, Regulations, Orders or Instructions.* - Whenever a bank, [or] quasi-bank, OR
5 OTHER FINANCIAL INSTITUTION WHICH UNDER THIS ACT OR SPECIAL LAWS IS SUBJECT
6 TO BANGKO SENTRAL SUPERVISION or whenever any person or entity willfully violates
7 this Act or other pertinent banking laws being enforced or implemented by the
8 Bangko Sentral or any order, instruction, rule or regulation issued by the Monetary
9 Board, the person or persons responsible for such violation shall unless otherwise
10 provided in this Act be punished by a fine of not less than Fifty thousand pesos
11 (P50,000) nor more than ~~[Two hundred thousand pesos (P200,000)]~~ TWO MILLION
12 PESOS (P2,000,000.00) or by imprisonment of not less than two (2) years nor more
13 than ~~[ten (10)]~~ SIX (6) years, or both, at the SOUND discretion of the court.

14 Whenever ~~[a bank or quasi-bank]~~ AN ENTITY UNDER BANGKO SENTRAL
15 SUPERVISION persists in carrying on its business in an ~~[unlawful or]~~ unsafe or
16 UNSOUND manner AS DETERMINED UNDER THE PROVISIONS OF SECTION 56 OF
17 REPUBLIC NO. 8791 AND IT REFUSES OR FAILS TO CEASE AND DESIST FROM SUCH
18 MISCONDUCT AND TO INSTITUTE CORRECTIVE MEASURES AFTER NOTICE HAS BEEN
19 GIVEN BY THE BANGKO SENTRAL, the MONETARY Board may, without prejudice to
20 the penalties provided in the preceding paragraph of this Section and the
21 administrative sanctions provided in Section 37 of this Act, take action under Section
22 30 of this Act."

23 SEC. 24. Section 37 of Republic Act No. 7653 is hereby amended to read as
24 follows:

25 "SEC. 37. *Administrative Sanctions [On Banks And Quasi-Banks].* — Without
26 prejudice to the criminal sanctions against the culpable persons provided in Sections
27 34, 35, and 36 of this Act, the Monetary Board may, at its discretion, impose
28 ADMINISTRATIVE SANCTIONS upon any bank ~~[or quasi-bank, their directors, and/or~~
29 ~~officers, for any willful violation of its charter or by laws, willful delay in the submission~~
30 ~~of reports or publications thereof as required by law, rules and regulations; any~~
31 ~~refusal to permit examination into the affairs of the institution; any willful making of a~~
32 ~~false or misleading statement to the Board or the appropriate supervising and~~
33 ~~examining department or its examiners; any willful failure or refusal to comply with, or~~
34 ~~violation of, any banking law or any order, instruction or regulation issued by the~~

1 ~~Monetary Board, or any order, instruction or ruling by the Governor;]~~ FINANCE COMPANY
2 AND NON-BANK FINANCIAL INSTITUTION PERFORMING QUASI-BANKING FUNCTIONS,
3 HEREINAFTER REFERRED TO AS QUASI-BANKING INSTITUTIONS PERFORMING SIMILAR
4 FUNCTIONS REGULATED BY THE BANGKO SENTRAL UNDER THIS ACT OR UNDER SPECIAL
5 LAWS THAT ARE UNDER THE SUPERVISION OF THE BANGKO SENTRAL FOR WILFUL
6 VIOLATION OR FAILURE TO COMPLY WITH THE PROVISIONS OF THIS ACT, OF REPUBLIC ACT
7 NO. 8791 AND OTHER SPECIAL LAWS; or any commission of irregularities, and/or
8 conducting business in an unsafe or unsound manner as may be determined by the
9 Monetary Board the following administrative sanctions, ~~[whenever]~~ WHEREVER OR
10 WHICHEVER applicable.

11 THE FOLLOWING ADMINISTRATIVE SANCTIONS SHALL BE IMPOSED TAKING INTO
12 CONSIDERATION THE ATTENDANT CIRCUMSTANCES SUCH AS THE NATURE AND
13 GRAVITY OF THE VIOLATION OR IRREGULARITY AND THE SIZE OF THE BANK, QUASI-
14 BANK OR NON-BANK FINANCIAL INSTITUTION INVOLVED.

15 (a) ~~[fines]~~ ADMINISTRATIVE PENALTIES in amounts as may be PRESCRIBED AND
16 determined by the Monetary Board to be appropriate, but in no case to exceed
17 ~~[Thirty thousand pesos (P30,000) a day for each violation, taking into consideration~~
18 ~~the attendant circumstances, such as the nature and gravity of the violation or~~
19 ~~irregularity and the size of the bank or quasi-bank;]~~ THE MAXIMUM PENALTIES
20 PRESCRIBED HEREIN FOR EACH VIOLATION, AS FOLLOWS:

- 21 1. FOR UNIVERSAL AND COMMERCIAL BANKS – NOT EXCEEDING P10,000 PER
22 BANKING DAY;
- 23 2. FOR THRIFT BANKS – NOT EXCEEDING P5,000 PER BANKING DAY;
- 24 3. FOR RURAL BANKS/COOPERATIVE BANKS – NOT EXCEEDING P2,000 PER
25 BANKING DAY;
- 26 4. FOR FINANCE COMPANIES AND NON-BANK FINANCIAL INSTITUTIONS
27 PERFORMING QUASI-BANKING FUNCTIONS – NOT EXCEEDING P5,000 PER
28 BANKING DAY;
- 29 5. FOR FINANCE COMPANIES AND FINANCIAL INSTITUTIONS WHICH ARE NOT
30 PERFORMING QUASI-BANKING FUNCTIONS – NOT EXCEEDING P3,000 PER
31 BANKING DAY;
- 32 6. FOR OTHER INSTITUTIONS THAT ARE SUPERVISED BY THE BANGKO SENTRAL –
33 NOT EXCEEDING P2,000 PER BANKING DAY.

34 WITHIN THE MAXIMUM PENALTY PRESCRIBED HEREIN, FOR VIOLATIONS OR
35 IRREGULARITIES COMMITTED BY EVERY CATEGORY OF BANKS, QUASI-BANKS, AND

1 NON-BANKS FINANCIAL INSTITUTIONS AS HEREIN PROVIDED, THE MONETARY BOARD
2 SHALL ACCORDING TO THE DEGREE OF SEVERITY OF VIOLATIONS OR IRREGULARITIES
3 SUBJECT TO PENALTIES, CLASSIFY VIOLATIONS OR IRREGULARITIES COMMITTED INTO
4 GRAVE, LESS GRAVE AND LIGHT OFFENSES SUCH THAT THE PENALTIES TO BE IMPOSED
5 SHALL CORRESPONDINGLY BE GRADUATED WITHIN THE PRESCRIBED MAXIMUM
6 PENALTIES.

7 IN COMPUTING THE AFOREMENTIONED PENALTIES, THE FOLLOWING ATTENDING
8 CIRCUMSTANCES SHALL BE TAKEN INTO CONSIDERATION: THE CAPITAL OF THE
9 INSTITUTION, THE NATURE OF THE VIOLATION; A ONE-TIME VIOLATION VIS-À-VIS A
10 CONTINUING VIOLATION/OFFENSE; FREQUENCY OF THE VIOLATION/OFFENSE; AND
11 THE GRAVITY OF THE OFFENSE (GRAVE, LESS GRAVE AND LIGHT VIOLATIONS). GRAVE
12 OFFENSES ARE THOSE THAT HAVE SIGNIFICANT/MATERIAL IMPACT ON THE SOLVENCY,
13 LIQUIDITY AND/OR NET PROFITABILITY OF A BANK, QUASI-BANK OR OTHER NON-BANK
14 FINANCIAL INSTITUTION.

15 THE SUPERVISION AND EXAMINATION SECTOR CONCERNED SHALL SUBMIT TO
16 THE MONETARY BOARD A MONTHLY REPORT OF ADMINISTRATIVE PENALTIES IMPOSED
17 ON INSTITUTIONS, IF ANY, INDICATING IN THE REPORT THE PENALTIES IMPOSED ON
18 CERTAIN INSTITUTIONS; PENALTIES THAT HAVE BEEN COLLECTED; AND PENALTIES
19 UNDER CONSIDERATION;

20 (b) suspension of rediscounting privileges or access to Bangko Sentral credit
21 facilities;

22 (c) suspension of lending or foreign exchange operations or authority to
23 accept new deposits or make new investments; AND/OR

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

25 [(e) ~~revocation of quasi-banking license.~~]

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

28 The Monetary Board may, whenever warranted by circumstances,
29 preventively suspend any director or officer of [a bank or quasi-bank] THE
30 INSTITUTION pending an investigation: *Provided*, That should the case be not finally
31 decided by the Bangko Sentral within a period of one hundred twenty (120) days
32 after the date of suspension, said director or officer shall be reinstated in his position:
33 *Provided*, further, That when the delay in the disposition of the case is due to the

1 fault, negligence or petition of the director or officer, the period of delay shall not be
2 counted in computing the period of suspension herein provided.

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

5 Whether or not there is an administrative proceeding, if the institution and/or
6 the directors and/or officers, concerned continue with or otherwise persist in the
7 commission of the indicated practice or violation, the Monetary Board may issue an
8 order requiring the institution and/or the directors, and/or officers concerned to
9 cease and desist from the indicated practice or violation, and may further order
10 that immediate action be taken to correct the conditions resulting from such
11 practice or violation. The cease and desist order shall be immediately effective upon
12 service on the respondents.

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

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

26 SEC. 25. Section 54 of Republic Act No. 7653 is hereby amended to read as
27 follows:

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

33 THE HEAD OF THE SECURITY PRINTING OF NOTES AND MINTING OF COINS
34 SHALL SUBMIT TO THE MONETARY BOARD REGULAR REPORTS OF EACH AND EVERY

1 PRINTING JOB OF NOTES AND MINTING OF COINS WHETHER THE PRINTING OF NOTES
2 AND MINTING OF COINS IS DONE IN-HOUSE OR OUTSOURCED. A REPORT SHALL BE
3 SUBMITTED WITHIN THIRTY (30) DAYS FROM COMPLETION OF PRINTING OF NOTES AND
4 MINTING OF COINS IF IN-HOUSE AND WITHIN THIRTY (30) DAYS FROM THE DATE OF
5 DELIVERY TO THE BANGKO SENTRAL OF OUTSOURCED PRINTING/MINTING JOB.

6 THE REGULAR REPORTS ON THE PRINTING OF NOTES/MINTING OF COINS TO BE
7 SUBMITTED TO THE MONETARY BOARD SHALL CONTAIN THE FOLLOWING MINIMUM
8 INFORMATION PER PRODUCTION JOB:

9 (A) THE VOLUME OF NOTES/COINS AS ACTUALLY PRINTED/MINTED:

10 (B) THE NOTES AND COINS PRINTED/MINTED INDICATING THE SERIAL NUMBERS
11 AND YEAR MARK OF THE NOTES PRINTED AS WELL AS THE YEAR MARK OF THE COINS;

12 (C) THE NAMES AND ADDRESSES OF THE ENTITIES THAT PRINTED THE NOTES OR
13 MINTED THE COINS, IF OUTSOURCED; OTHERWISE INDICATE IF THE NOTES AND COINS
14 WERE PRINTED/MINTED IN-HOUSE;

15 (D) PAPERS, INK AND OTHER RAW MATERIALS ORDERED VS. PRODUCTION
16 OUTPUT;

17 (E) PRODUCTION CAPACITY PER DENOMINATION VS. VOLUME OF
18 PRODUCTION OUTPUT;

19 (F) DATES OF DELIVERY OF RAW MATERIALS FOR PARTICULAR DENOMINATION
20 AND DATES OF DELIVERY OF PRINTED NOTES OR MINTED COINS TO THE CASH
21 DEPARTMENT;

22 (G) ALLOWANCE FOR WASTAGE VS. ACTUAL WASTAGE PER PRODUCTION
23 ORDER. THE RECORD OF WASTAGE SHALL INCLUDE INFORMATION ON THE
24 SHREDDING OF WASTAGE; AND

25 (H) RUNNING BALANCE OF THE PARTICULAR DENOMINATION PRINTED/MINTED.

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

28 SEC. 26. Section 61 of Republic Act No. 7653 is hereby amended to read as
29 follows:

30 "SEC. 61. *Guiding Principle.* — THE MONETARY BOARD SHALL CONSTANTLY
31 ASSESS PRICE DEVELOPMENTS AND OUTLOOK AND BASED ON ITS ANALYSIS AND
32 EVALUATION OF INFLATIONARY PRESSURES USE ITS POLICY INSTRUMENTS PRICE
33 STABILITY.

1 The Monetary Board shall control any SIGNIFICANT expansion or contraction
2 in monetary aggregates which is prejudicial to the attainment or maintenance of
3 price stability."

4 SEC. 27. Section 81 of Republic Act No. 7653 is hereby amended to read as
5 follows:

6 "SEC. 81. *Guiding Principles.* — The rediscounts, discounts, loans and
7 advances which the Bangko Sentral is authorized to extend to banking institutions
8 AND OTHER SUPERVISED FINANCIAL INSTITUTIONS under the provisions of the present
9 article of this Act shall be used to influence the volume of credit consistent with the
10 MAINTENANCE OF FINANCIAL STABILITY AND THE objective of price stability."

11 SEC. 28. Section 83 of Republic Act No. 7653 is hereby amended to read as
12 follows:

13 "SEC. 83. *Loans for Liquidity Purposes.* — The Bangko Sentral, BY A VOTE OF AT
14 LEAST FIVE (5) MEMBERS OF THE MONETARY BOARD, may extend loans and
15 advances to [banking] BANKS, QUASI-BANKS AND OTHER SYSTEMICALLY CRITICAL
16 BANGKO SENTRAL -SUPERVISED institutions for a period of not more than [seven-{7}]
17 FORTY-FIVE (45) BANKING days without any collateral^{for} for the purpose of providing
18 liquidity to the banking system in times of need, SUBJECT TO SUCH TERMS AND
19 CONDITIONS AS THE MONETARY BOARD MAY PRESCRIBE TO MINIMIZE POSSIBLE
20 LOSSES TO THE BANGKO SENTRAL."

21 SEC. 29. Section 84 of Republic Act No. 7653 is hereby amended to read as
22 follows:

23 "SEC. 84. *Emergency Loans and Advances.* — In periods of national and/or
24 local emergency or of imminent financial panic which directly threaten monetary
25 and [banking] FINANCIAL stability, the Monetary Board may, by a vote of at least
26 five (5) of its members, authorize the Bangko Sentral to grant extraordinary loans or
27 advances to banking, QUASI-BANKING AND OTHER SYSTEMICALLY CRITICAL BANGKO
28 SENTRAL-SUPERVISED institutions TO BE secured by assets as defined hereunder:
29 Provided, That while such loans or advances are outstanding, the debtor institution
30 shall not, except upon prior authorization by the Monetary Board, expand the total
31 volume of its loans or investments.

32 The Monetary Board may, at its discretion, likewise authorize the Bangko
33 Sentral to grant emergency loans or advances to [banking] BANKS, QUASI-BANKS
34 AND OTHER SYSTEMICALLY CRITICAL BANGKO SENTRAL-SUPERVISED institutions, even

1 during normal periods, for the purpose of assisting a bank in a precarious financial
2 condition or under serious financial pressures brought by unforeseen events, or
3 events which, though foreseeable, could not be prevented by the bank concerned:
4 Provided, however, That the Monetary Board has ascertained that the bank is not
5 insolvent and has the assets defined hereunder to secure the advances: Provided,
6 further, That a concurrent vote of at least five (5) members of the Monetary Board is
7 obtained.

8 The amount of any emergency loan or advance shall not exceed the sum of
9 fifty percent (50%) of total ~~[deposits and deposit substitutes]~~ BORROWINGS of the
10 ~~[banking]~~ institution and shall be disbursed in two (2) or more tranches. The amount
11 of the first tranche shall be limited to twenty-five percent (25%) of the BORROWINGS
12 ~~[total deposit and deposit substitutes]~~ of the institution and shall be secured by (A)
13 government securities ~~[to the extent of their applicable loan values and]~~; (B)
14 ACCEPTABLE GUARANTEES BACKED UP BY THE NATIONAL GOVERNMENT OR ITS
15 SECURITIES; (C) other unencumbered first class collaterals AND (D) PRIVATE
16 COMMERCIAL PAPER TO THE EXTENT OF THEIR APPLICABLE LOAN VALUES which the
17 Monetary Board may approve: *Provided*, That if as ~~determined~~ by the Monetary
18 Board, the circumstances surrounding the emergency warrant a loan or advance
19 greater than the amount provided hereinabove, the amount of the first tranche
20 may exceed twenty-five percent (25%) of the [bank's] INSTITUTION'S total ~~[deposit~~
21 ~~and deposit substitutes]~~ BORROWINGS if the same is adequately secured by
22 applicable loan values of government securities and unencumbered first class
23 collaterals OR ACCEPTABLE GUARANTEES BACKED UP BY THE NATIONAL
24 GOVERNMENT OR ITS SECURITIES approved by the Monetary Board, and the principal
25 stockholders of the institution furnish an acceptable undertaking to indemnify and
26 hold harmless from suit a conservator whose appointment the Monetary Board may
27 find necessary at any time.

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

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

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

7 (b) provide acceptable security which, in the judgment of the Monetary
8 Board, would be adequate to supplement, where necessary, the assets tendered by
9 the [banking] institution to collateralize the subsequent tranche.

10 In connection with the exercise of these powers, the prohibitions in Section
11 128 of this Act shall not apply insofar as it refers to acceptance as collateral of shares
12 and their acquisition as a result of foreclosure proceedings, including the exercise of
13 voting rights pertaining to said shares: Provided, however, That should the Bangko
14 Sentral acquire any of the shares it has accepted as collateral as a result of
15 foreclosure proceedings, the Bangko Sentral shall dispose of said shares by public
16 bidding within one (1) year from the date of consolidation of title by the Bangko
17 Sentral.

18 Whenever a financial institution incurs an overdraft in its account with the
19 Bangko Sentral, the same shall be eliminated within the period prescribed in Section
20 102 of this Act."

21 SEC. 30. A new section entitled Section 88-A of the same Act shall be inserted
22 between Section 88 and Section 88-B which shall read as follows:

23 "SEC. 88-A. EXEMPTION FROM ATTACHMENT. THE PROVISIONS OF ANY LAW
24 TO THE CONTRARY NOTWITHSTANDING AND SECTION 31 OF THIS ACT, COLLATERALS
25 ON LOANS AND ADVANCES GRANTED BY THE BANGKO SENTRAL SHALL NOT BE
26 SUBJECT TO ATTACHMENT, EXECUTION OR ANY OTHER COURT PROCESS, NOR SHALL
27 THEY BE INCLUDED IN THE PROPERTY OF INSOLVENT PERSONS OR INSTITUTIONS, UNLESS
28 THE SECURED LOANS AND ADVANCES GRANTED BY THE BANGKO SENTRAL TO
29 INSOLVENT PERSONS OR INSTITUTIONS OR A CLOSED INSTITUTION HAVE ALREADY BEEN
30 FULLY PAID IN WHICH CASE THE EXEMPTIONS UNDER THIS SECTION SHALL NO LONGER
31 APPLY."

32 SEC. 31. A new section entitled Section 88-B of the same Act shall be inserted
33 between Section 88-A and Section 88-C which shall read as follows:

1 "SEC. 88-B. DEPUTIZATION OF LEGAL STAFF. – IN CASE OF AN EXTRAJUDICIAL
2 FORECLOSURE OF MORTGAGE, THE BANGKO SENTRAL MAY, DEPUTIZE ANY OF ITS
3 LAWYERS TO CONDUCT THE PUBLIC AUCTION PURSUANT TO ACT NO. 3135, AS
4 AMENDED. IN CASE OF A JUDICIAL FORECLOSURE, THE BANGKO SENTRAL MAY WITH
5 THE APPROVAL OF THE COURT, LIKEWISE DEPUTIZE ANY OF ITS LAWYERS TO ACT AS
6 SPECIAL SHERIFF IN THE SALE OF THE DEBTOR'S PROPERTIES AND IN THE ENFORCEMENT
7 OF COURT WRITS AND PROCESSES RELATED THERETO. THE SPECIAL SHERIFF OF THE
8 BANGKO SENTRAL SHALL MAKE A REPORT TO THE PROPER COURT AFTER ANY ACTION
9 HAS BEEN TAKEN BY HIM, WHICH COURT SHALL TREAT SUCH ACTION AS IF IT WERE AN
10 ACT OF ITS OWN SHERIFF IN ALL RESPECTS.

11 "NO RESTRAINING ORDER OR INJUNCTION SHALL BE ISSUED BY THE COURT
12 ENJOINING THE BANGKO SENTRAL FROM PROCEEDING WITH THE FORECLOSURE OF
13 THE MORTGAGE UNLESS A BOND IS POSTED IN FAVOR OF THE BANGKO SENTRAL IN AN
14 AMOUNT EQUIVALENT TO THE TOTAL CLAIM OF THE BANGKO SENTRAL. THE
15 RESTRAINING ORDER OR INJUNCTION SHALL BE REFUSED OR, IF GRANTED, SHALL BE
16 DISSOLVED UPON FILING BY THE BANGKO SENTRAL OF A BOND, WHICH SHALL BE IN
17 THE FORM OF A BANGKO SENTRAL CHECK, IN AN AMOUNT TWICE THE AMOUNT OF
18 THE ORIGINAL BOND POSTED CONDITIONED THAT THE BANGKO SENTRAL WILL PAY THE
19 DAMAGES WHICH THE PARTY MAY SUFFER BY THE REFUSAL OR DISSOLUTION OF THE
20 INJUNCTION. THE PROVISIONS OF RULE 58 OF THE NEW RULES OF COURT INSOFAR AS
21 THEY ARE APPLICABLE AND NOT INCONSISTENT WITH THE PROVISIONS OF THIS SECTION
22 SHALL GOVERN THE ISSUANCE AND DISSOLUTION OF THE RESTRAINING ORDER OR
23 INJUNCTION CONTEMPLATED IN THIS SECTION."

24 SEC. 30. A new section entitled Section 88-C of the same Act shall be inserted
25 between Section 88-B and Section 89 which shall read as follows:

26 "SEC. 88-C. RIGHT OF REDEMPTION OF FORECLOSED REAL PROPERTY; RIGHT
27 OF POSSESSION DURING REDEMPTION PERIOD. – THE MORTGAGOR SHALL HAVE THE
28 RIGHT TO REDEEM THE PROPERTY WITHIN ONE YEAR FROM THE DATE OF FORECLOSURE
29 SALE OF THE REAL ESTATE, IN CASE THE MORTGAGOR IS A NATURAL PERSON, AND
30 WITHIN NINETY DAYS BUT NOT LATER THAN THE DATE OF REGISTRATION OF THE
31 CERTIFICATE OF FORECLOSURE SALE, IN CASE THE MORTGAGOR IS A JURIDICAL
32 PERSON. REDEMPTION SHALL BE EFFECTED BY PAYING THE PRINCIPAL, INTERESTS,
33 CHARGES, COMMISSIONS AND ALL CLAIMS OF WHATEVER NATURE OF THE BANGKO
34 SENTRAL OUTSTANDING AND DUE AS OF THE DATE OF FORECLOSURE SALE,

1 INCLUDING ALL COSTS AND OTHER EXPENSES INCURRED BY REASON OF THE
2 FORECLOSURE SALE AND CUSTODY OF THE PROPERTY.

3 THE BANGKO SENTRAL, AS PURCHASER IN THE FORECLOSURE SALE AND
4 WITHOUT NEED OF POSTING A BOND, MAY TAKE POSSESSION OF THE FORECLOSED
5 PROPERTY DURING THE REDEMPTION PERIOD. THE BANGKO SENTRAL SHALL BE
6 ENTITLED TO THE FRUITS OF THE PROPERTY, THE SAME TO BE APPLIED AGAINST THE
7 REDEMPTION PRICE. "

8 SEC. 33. A new section entitled Section 89-A of the same Act shall be inserted
9 between Section 89 and Section 90 which shall read as follows:

10 "SEC. 89-A. CREDIT FACILITIES FOR ISLAMIC BANKS. THE BANGKO SENTRAL
11 MAY, TAKING INTO CONSIDERATION THE PECULIAR CHARACTERISTICS OF ISLAMIC
12 BANKING, FORMULATE RULES AND REGULATIONS FOR THE EXTENSION OF
13 REDISCOUNTING OR OTHER SIMILAR FACILITIES TO ISLAMIC BANKS."

14 SEC. 34 Section 92 of Republic Act No. 7653 is hereby amended to read as
15 follows:

16 "SEC. 92. ISSUE AND NEGOTIATION OF BANGKO SENTRAL OBLIGATIONS. — In
17 order to provide the Bangko Sentral with effective ^{ways} instruments for open market
18 operations, the Bangko Sentral may, subject to such rules and regulations as the
19 Monetary Board may prescribe and in accordance with the principles stated in
20 Section 90 of this Act, issue, place, buy and sell freely negotiable evidences of
21 indebtedness of the Bangko Sentral. [~~Provided, That issuance of such certificates of~~
22 ~~indebtedness shall be made only in cases of extraordinary movement in price~~
23 ~~levels.]~~ Said evidences of indebtedness may be issued directly against the
24 international reserve of the Bangko Sentral or against the securities which it has
25 acquired under the provisions of Section 91 of this Act, or may be issued without
26 relation to specific types of assets of the Bangko Sentral.

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

30 Subject to the principles stated in Section 90 of this Act, the evidences of
31 indebtedness of the Bangko Sentral to which this Section refers may be acquired by
32 the Bangko Sentral before their maturity, either through purchases in the open
33 market or through redemptions at par and by lot if the Bangko Sentral has reserved
34 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.

THE BANGKO SENTRAL IN PURSUIT OF ITS OPEN MARKET OPERATIONS, MAY ALSO ENGAGE IN THE PURCHASE AND RESALE OF READILY MARKETABLE COMMERCIAL PAPERS ISSUED BY FINANCIAL INSTITUTIONS DULY ACCREDITED UNDER SUCH RULES AND REGULATIONS AS THE MONETARY BOARD MAY PRESCRIBE TO PROVIDE LIQUIDITY TO THE FINANCIAL MARKETS FROM TIME TO TIME. SUCH PURCHASE AND RESALE MAY BE SUBJECT TO REPURCHASE OR REVERSE REPURCHASE AGREEMENTS AS THE BANGKO SENTRAL SHALL STIPULATE AND SUCH INSTRUMENTS ARE PART OF THE OPEN MARKET OPERATIONS OF THE BANGKO SENTRAL."

SEC. 35. Section 95 of Republic Act No. 7653 is hereby amended to read as follows:

"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.]~~ PROVIDED, HOWEVER, THAT REPURCHASE AGREEMENTS, INCLUDING REVERSE PURCHASE AGREEMENTS ENTERED INTO BY THE BANGKO SENTRAL SHALL NOT BE CONSIDERED DEPOSIT SUBSTITUTES.

IN THE COMPUTATION OF THE RESERVES AGAINST DEPOSIT SUBSTITUTES UNDER SECTION 94 OF THIS ACT, THE MONETARY BOARD SHALL DETERMINE WHAT SHALL BE CONSIDERED AS DEPOSIT SUBSTITUTES SUBJECT TO RESERVE REQUIREMENTS.

FINANCIAL INSTRUMENTS ISSUED BY THE NATIONAL GOVERNMENT AND THE BANGKO SENTRAL AND INTERBANK BORROWINGS SHALL NOT BE CONSTRUED AS DEPOSIT SUBSTITUTES.

The Monetary Board shall determine what specific instruments shall be considered as deposit substitutes for the purposes of Section 94 of this Act[:]. THE MONETARY BOARD MAY ALSO EXCLUDE FUNDS OBTAINED OR BORROWED FROM CERTAIN INSTITUTIONAL LENDERS FROM THIS SECTION: *Provided, however, That* deposit substitutes of commercial, industrial and other non-financial companies for

1 the limited purpose of financing their own needs or the needs of their agents or
2 dealers shall not be covered by the provisions of Section 94 of this Act."

3 SEC. 36. Section 99 of Republic Act No. 7653 is hereby amended to read as
4 follows:

5 "SEC. 99. *Adjustment [Increase] In Reserve Requirements.* — Whenever in the
6 opinion of the Monetary Board it becomes necessary to ADJUST [increase] reserve
7 requirements against existing liabilities, the [increase] CHANGE shall be made in a
8 [gradual] manner ~~[and shall not exceed four percentage points in any thirty-day~~
9 ~~period]~~ CONSISTENT WITH THE MONETARY POLICY DETERMINED BY THE MONETARY
10 BOARD. Banks and other affected financial institutions shall be notified reasonably in
11 advance of the date on which such [increase] CHANGE is to become effective."

12 SEC. 37. Section 113 of Republic Act No. 7653 is hereby amended to read as
13 follows:

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

24 EXCEPT FOR DEMAND DEPOSITS, the Bangko Sentral [may] SHALL pay interest
25 on deposits of the Government or of its political subdivisions and instrumentalities, as
26 well as on deposits of banks with the Bangko Sentral."

27 SEC. 38. Section 117 of Republic Act No. 7653 is hereby amended to read as
28 follows:

29 "SEC. 117. *Issue of Government Obligations.* — The issue of securities
30 representing obligations of the Government, its political subdivisions or
31 instrumentalities, may be made through the Bangko Sentral, which may act as
32 agent of, and for the account of, the Government or its respective subdivisions or
33 instrumentality, as the case may be: *Provided, however,* That the Bangko Sentral
34 shall not guarantee the placement of said securities, and shall not subscribe to their

1 issue except to replace its maturing holdings of securities with the same type as the
2 maturing securities.

3 THE PRIMARY SALE OF GOVERNMENT SECURITIES MAY ALSO BE PUBLICLY
4 UNDERWRITTEN BY, OR PRIVATELY PLACED IN, FINANCIAL INSTITUTIONS ACCREDITED
5 BY THE DEPARTMENT OF FINANCE OF THE NATIONAL GOVERNMENT.

6 THE DIRECT PURCHASE AND SALE OF GOVERNMENT SECURITIES BY AND
7 BETWEEN AND AMONG ACCREDITED FINANCIAL INSTITUTIONS SHALL BE DEEMED
8 EXEMPT TRANSACTIONS UNDER REPUBLIC ACT NO. 8799, OTHERWISE KNOWN AS THE
9 SECURITIES REGULATION CODE. THE SECRETARY OF FINANCE, IN CONSULTATION WITH
10 THE BANGKO SENTRAL, SHALL PROMULGATE SUCH RULES AND REGULATIONS, ORDERS
11 OR INSTRUCTIONS WHICH SHALL PROTECT FROM FRAUD THE REPUBLIC OF THE
12 PHILIPPINES, AS ISSUER AND THE ACCREDITED FINANCIAL INSTITUTIONS AS INVESTORS
13 OR TRADERS OF SAID GOVERNMENT SECURITIES.

14 IN ORDER TO INSURE THAT SAID ACCREDITED FINANCIAL INSTITUTIONS SHALL
15 OPERATE UNDER FAIR AND UNIFORM TRADING RULES, THEY SHALL, AS PART OF THE
16 GUIDELINES OF ACCREDITATION, BE REQUIRED TO JOIN AN ASSOCIATION OF
17 ACCREDITED FINANCIAL INSTITUTIONS TO BE GOVERNED BY INTERNAL RULES OF
18 CONDUCT APPROVED BY THE SECRETARY OF FINANCE, THE LATTER BEING THE
19 OFFICIAL REPRESENTATIVE OF THE REPUBLIC OF THE PHILIPPINES, THE PRIMARY
20 OBLIGOR IN THE ISSUANCE OF SAID GOVERNMENT SECURITIES; PROVIDED, HOWEVER,
21 THAT THE DIRECT PARTICIPATION OF ACCREDITED FINANCIAL INSTITUTIONS IN THE
22 OPEN MARKET OPERATIONS OF THE BANGKO SENTRAL AS PROVIDED IN SECTIONS 90
23 AND 91 HEREIN SHALL BE SUBJECT TO SUCH RULES AND REGULATIONS AS MAY BE
24 PRESCRIBED BY THE MONETARY BOARD, IN CONSULTATION WITH THE SECRETARY OF
25 FINANCE."

26 SEC. 39. Section 118 of Republic Act No. 7653 is hereby amended to read as
27 follows:

28 "SEC. 118. *Methods of Placing Government Securities.* — The Bangko Sentral
29 may place the securities to which the FIRST PARAGRAPH OF THE preceding Section
30 refers through direct sale to financial institutions [~~and the public~~].

31 The Bangko Sentral shall not be a member of any stock exchange or
32 syndicate, but may intervene therein, IN COORDINATION WITH THE DEPARTMENT OF
33 FINANCE, for the sole purpose of regulating their operations in the placing of
34 government securities.

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

4 SEC. 40. Section 119 of Republic Act No. 7653 is hereby amended to read as
5 follows:

6 "SEC. 119. *Servicing and Redemption of the Public Debt.* — The servicing and
7 redemption of the public debt shall also BE DONE UNDER THE AUTHORITY OF THE
8 DEPARTMENT OF FINANCE. IT MAY also be effected through the Bangko Sentral.

9 SEC. 41. Section 125 of Republic Act No. 7653 is hereby amended to read as
10 follows:

11 "SEC. 125. *Tax Exemptions.* — THE PROVISIONS OF ANY GENERAL OR SPECIAL
12 LAW TO THE CONTRARY NOTWITHSTANDING, FINANCIAL TRANSACTIONS OF the
13 Bangko Sentral ARISING FROM ITS OPEN MARKET OPERATIONS shall be exempt [~~for a~~
14 ~~period of five (5) years from the approval of this Act]~~ from all national, AND LOCAL
15 [~~provincial, municipal and city~~] taxes, fees, charges and assessments.

16 ~~[The exemption authorized in the preceding paragraph of this Section shall~~
17 ~~apply to all property of the Bangko Sentral, to the resources, receipts, expenditures,~~
18 ~~profits and income of the Bangko Sentral, as well as to all contracts, deeds,~~
19 ~~documents and transactions related to the conduct of the business of the Bangko~~
20 ~~Sentral: Provided, however, That said exemptions shall apply only to such taxes, fees,~~
21 ~~charges and assessments for which the Bangko Sentral itself would otherwise be~~
22 ~~liable, and shall not apply to taxes, fees, charges, or assessments payable by persons~~
23 ~~or other entities doing business with the Bangko Sentral: Provided, further, That~~
24 ~~foreign loans and other obligations of the Bangko Sentral shall be exempt, both as to~~
25 ~~principal and interest, from any and all taxes if the payment of such taxes has been~~
26 ~~assumed by the Bangko Sentral.]"~~

27 SEC. 42. Section 126 of Republic Act No. 7653 is hereby amended to read as
28 follows:

29 "SEC. 126. *Exemption From Customs Duties.* — The provision of any general or
30 special law to the contrary notwithstanding, the importation and exportation by the
31 Bangko Sentral of notes and coins, and of gold and other metals to be used for
32 purposes authorized under this Act, and the importation of all [~~equipment~~] SUPPLIES
33 needed [~~for~~] BY THE BANGKO SENTRAL FOR bank note production, minting of
34 coins, metal refining and other security printing operations AND TRANSPORT OF

1 CURRENCY shall be fully exempt from all customs duties and consular fees and from
2 all other taxes, assessments and charges related to such importation or exportation.

3 THE IMPORTATION OF MACHINERY OR EQUIPMENT REQUIRED BY THE BANGKO
4 SENTRAL FOR THE PRINTING OF NOTES AND THE MINTING OF COINS SHALL BE SUBJECT
5 TO CUSTOMS DUTIES AND OTHER RELATED ASSESSMENTS AND CHARGES RELATED TO
6 THE IMPORTATION OF ANY SUCH MACHINERY OR EQUIPMENT."

7 SEC. 43. A new section entitled Section 126-A of Republic Act No. 7653 shall
8 be inserted between Section 126 and Section 127 which shall read as follows:

9 "SEC. 126-A. ACQUISITIONS SUBJECT TO PROCUREMENT LAW. – ANY AND ALL
10 ACQUISITION OF GOODS AND SERVICES BY THE BANGKO SENTRAL SHALL BE SUBJECT
11 TO THE PROCUREMENTS LAWS."

12 SEC. 44. This Act shall take effect upon approval.
13