

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

House Bill No. 135

Introduced by HONORABLE DANILO E. SUAREZ

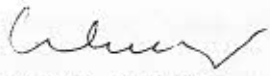
EXPLANATORY NOTE

Since the Asian currency crisis in 1997, mergers and acquisitions in the Philippine banking industry have become widespread. Mergers are part of an ongoing campaign by the Bangko Sentral ng Pilipinas, in complete reverse from former Governor Gabriel Singson's thrust to create more banks, supposedly to encourage competition. Former Governor Rafael Buenaventura has urged the creation of more financially stable banks. Current governor, Amando Tetangco, has adopted Governor Buenaventura's position.

With the onset of these mergers, government financial institutions must likewise follow suit. The increase in asset and resource base of various commercial banks should be a signal to government-owned banks to consolidate and beef up their respective financial positions. It can be said that the Land Bank of the Philippines (LBP), the largest government-owned bank has continuously fulfilled its mandate and has helped improve the lives of Filipinos and has transformed rural communities into areas of growth and development. On the other hand, the Development Bank of the Philippines (DBP), as the country's pre-eminent development financial institution, has consistently taken upon itself the strategic task of influencing and accelerating sustainable growth, through the provision of resources for the continued well-being of the Filipino people.

In order to allow these banks to continue fulfilling their development and social mandate more meaningfully, a fusion of the LBP and the DBP is indispensable. Needless to state, the merger of the two will move the banks to a more competitive position and is expected to help a greater number of people and reach more areas of concern.

With the aforementioned, the approval of this bill is earnestly sought.


DANILO E. SUAREZ
Representative
Third District, Province of Quezon

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**AN ACT MERGING THE LANDBANK OF THE PHILIPPINES AND THE DEVELOPMENT
BANK OF THE PHILIPPINES AND FOR OTHER PURPOSES**

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

SECTION 1. Declaration of Policy. It is a fact that financing institutions play a pivotal role in the quest for sustainable growth and development in the country. However, it is likewise recognized that the creation of more financially-stable banks has become imperative after the Asian currency crisis, thereby encouraging mergers and acquisitions in the Philippine banking industry.

Government banks are not spared of this need for financial viability and strength, thus the merger of government banks is encouraged to be at par with other commercial and universal banks.

SECTION 2. Merger of the Land Bank of the Philippines and the Development Bank of the Philippines. The Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) shall be merged.

SECTION 3. Effects of the Merger. The Land Bank of the Philippines shall be the surviving entity, being the larger bank in terms of assets and resources. The merger will not affect the mandate of the LBP and the DBP in providing assistance to priority sectors such as small farmers and fisherfolk, micro-enterprises, SMEs, agri-business, apart from their commercial banking services.

SECTION 4. Implementing Rules and Regulations. The Board of Trustees of LBP and DBP shall formulate the Implementing Rules and Regulations for this Act within ninety (90) days from approval hereof.

SECTION 5. Appropriation Clause. The amount necessary to implement this Act shall be included in the General Appropriations Act of the year following its enactment into law.

SECTION 6. Repealing Clause. All laws, decrees, issuances, rules and regulations inconsistent with the provisions of this Act are hereby repealed.

SECTION 7. Effectivity Clause. This Act shall take effect within fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved.