

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

House Bill No. **1918**



Introduced by Representatives
DIOSDADO MACAPAGAL ARROYO and GLORIA MACAPAGAL ARROYO

AN ACT
AMENDING SECTION 311 OF REPUBLIC ACT NO. 7160, OTHERWISE
KNOWN AS "THE LOCAL GOVERNMENT CODE OF 1991"

EXPLANATORY NOTE

One of the provisions of Republic Act No. 7160, otherwise known as the Local Government Code, authorizes the Legislature to undertake review of said Code with the primary objective of providing a sound local government structure in terms of responsiveness and accountability.

This proposed bill seeks to further institutionalize local autonomy through the strengthening of the fiscal autonomy of Local Government Units (LGUs) by providing greater flexibility in choosing their depository bank.

There have been different interpretations of this specific section of R.A. 7160, where on the one hand, National government agencies have interpreted it to mean that LGUs must show preference over government-owned banks as depository banks such as the Land Bank of the Philippines or the Development Bank of the Philippines. In addition, the concerned LGU must only choose one (1) within its area of jurisdiction.

On the other hand, a rural bank may accept deposits from local governments notwithstanding the presence of government-owned banks within their locality, on the condition that such rural banks are duly authorized by the Monetary Board of the *Bangko Sentral ng Pilipinas* (BSP).

There is, therefore, a need to come up with a more clear-cut interpretation of Section 311 of the Local Government Code of 1991 without sacrificing the local autonomy of LGUs.

In view of the foregoing considerations, the immediate passage of this bill is earnestly sought.



DIOSDADO MACAPAGAL ARROYO
Second District, Camarines Sur



GLORIA MACAPAGAL ARROYO
Second District, Pampanga

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

SECTION 1. Section 311 of Republic Act No. 7160, otherwise known as
"The Local Government Code of 1991", is hereby amended to read as follows:

"SEC. 311. *Depository Account.* – Local treasurers shall maintain
depository accounts in the name of their respective local government units
with banks, [preferably government-owned] **DULY AUTHORIZED BY THE
BANGKO SENTRAL NG PILIPINAS TO ACCEPT GOVERNMENT
DEPOSITS** located in or nearest to their respective areas of jurisdiction:
**PROVIDED, THAT IN THEIR CHOICE OF DEPOSITORY BANK,
PRIORITY SHALL BE GIVEN TO GOVERNMENT-OWNED BANKS
WITHIN THEIR LOCALITIES.** Earnings of each depository account shall
accrue exclusively thereto."

SECTION 2. *Repealing Clause.* – All laws, executive orders, presidential
decrees, rules and regulations or parts thereof which are inconsistent with any of
the provisions of this Act are hereby repealed or modified accordingly.

SECTION 3. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) national newspapers of general circulation.

Approved,