

Republic of the Philippines
House of Representatives
Quezon City

Sixteenth Congress

Second Regular Session

HOUSE BILL No. **5350**



Introduced by Representative Nelson "Sonny" P. Collantes

EXPLANATORY NOTE

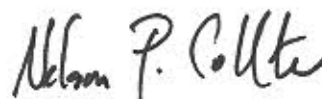
It is the policy of the present administration to rationalize the operations of existing government agencies, including government financial institutions, to improve the delivery of services, achieve operational and financial efficiency and support the development thrusts of government. Such rationalization may be achieved by merging government agencies with overlapping functions.

The merger of DBP and LBP is necessary as the functions or purposes of both banks duplicate and/or unnecessarily overlap with one another, which is one of the standards for implementing a merger under Republic Act No. 10149. The merger is also in line with the current regulatory thrust to encourage the consolidation of banks to achieve higher lending capacities, diversify risks and improve the quality of their services.

The merger will also result in synergies in the operations of the two government financial institutions. Although DBP and LBP have different mandates under their respective charters, they have similar authority to engage in universal banking activities. The fusion of the universal banking activities of the two banks is therefore expected to result in the economies of scale of banking operations. Said merger will improve the balance sheet capabilities of the merged bank thus resulting in a stronger bank which will have a competitive edge over other banks not only in the domestic and global markets.

The consolidated entity will be more effective, efficient and sustainable in carrying out the mandates of both banks, particularly in anticipation of the wave of foreign banks that may enter the Philippine market upon the occurrence of ASEAN integration in 2015.

Hence, the passage of this bill is earnestly requested.


NELSON P. COLLANTES

Republic of the Philippines
House Of Representatives
Quezon City

Sixteenth Congress
Second Regular Session

HOUSE BILL No. **5350**

Introduced by Representative Nelson "Sonny" P. Collantes

AN ACT AUTHORIZING THE MERGER OF THE DEVELOPMENT BANK OF THE PHILIPPINES AND
THE LAND BANK OF THE PHILIPPINES WITH DBP AS THE SURVIVING ENTITY

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

1 Section 1. *Declaration of Policy.* There is a need to rationalize the operation of
2 government agencies and Government Financial Institutions (GFIs) to strengthen their
3 financial capabilities, to improve the delivery of services, to achieve economic efficiency and
4 to support the development thrust of the government. Towards the end, the State shall
5 therefore:

6 a. Recognize the importance of strengthening the government financial institutions
7 to give it a competitive edge over other banks not only in the domestic but in the global
8 market as well;

9 b. Encourage sustainable growth and development in capital and credit facilities in
10 our government financial institution thereby achieving a sound, stable and efficient
11 government banking facility for the protection of the public.;

12 c. Ensure that the social mandate of providing assistance to priority sectors are
13 continuously fulfilled and investments are amply protected.

14 Section 2. *Merger of the Development Bank of the Philippines and the Land Bank of*
15 *the Philippines.* The Development Bank of the Philippines (DBP) and the Land Bank of the
16 Philippines (LBP) are hereby merged, with LBP as the surviving entity.

17 All assets and liabilities of DBP are hereby transferred to LBP

18 In addition to the powers of LBP under Republic Act No. 3844, as amended, the LBP
19 as the surviving entity, shall also exercise the powers of DBP under its 1986 Revised Charter
20 (E.O. No. 81 dated December 3, 1986, as amended by R.A. No. 8523 dated February 14,
21 1998)

22 Section 3. *Capital Structure.* The existing capital of DBP and LBP shall be combined,
23 provided, however, that the combined existing authorized stock of DBP and LBP which is in
24 the amount of Sixty Billion Pesos (P 60,000,000,000.00) shall be increased to 100 Billion
25 Pesos (P 100,000,000,000.00). Said increase of Forty Billion Pesos (Php 40, 000, 000, 000.00)
26 shall consist of 400, 000.00 common shares with par value of P100.00 per share.

27 Section 4. *Tax Exemption.* The merger of DBP and LBP including all aspects of
28 implementation thereof shall be exempt from the payment of all national and local taxes,
29 fees and charges, including, but not limited to, the income tax, capital gains tax, creditable
30 withholding tax, gross receipts tax, local transfer tax, documentary stamp taxes, and
31 registration fees. The shares of stock to be issued out of the increase of the authorized
32 capital stock of DBP shall be exempt from the payment of the documentary stamp taxes.

33 Section 5. *Implementation of the Merger by Concerned Government*
34 *Offices/Agencies.* The Bangko Sentral ng Pilipinas , the Bureau of Internal Revenue and
35 other government offices/agencies concerned are hereby directed to promptly take such
36 actions as may be necessary to fully implement the provisions of this Act.

37 Section 6. *Effects of the Merger of Existing Laws.* The provisions of the Corporation
38 Code on Mergers shall have suppletory effect on this Act.

39 The provisions of Republic Act No. 3844, as amended, the Code of Agrarian Reform
40 of the Philippines, and Executive Order No. 81 as amended or the 1986 Revised Charter of
41 DBP, are hereby amended accordingly.

42 Section 7. *Repealing Clause.* All laws, decrees, issuances, rules, and regulations
43 inconsistent with the provisions of this Act are hereby deemed amended accordingly.

44 Section 8. *Effectivity.* This Act shall take effect within fifteen (15) days after its
45 publication in at least two (2) newspapers of general circulation.

Approved,