



Republic of the Philippines  
**House of Representatives**  
Quezon City, Metro Manila

SIXTEENTH CONGRESS  
Second Regular Session

HOUSE BILL NO. 5989



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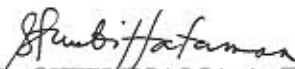
Introduced by HON. SITTI DJALIA A. TURABIN-HATAMAN of  
Anak Mindanao (AMIN) Party-List

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#### EXPLANATORY NOTE

Financial inclusion, ethical banking and socio-economic development through Islamic Banking system.

Approval of this bill is therefore sought.

  
HON. SITTI DJALIA A. TURABIN-HATAMAN



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**Introduced by HON. SITTI DJALIA A. TURABIN-HATAMAN of**  
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An Act amending Republic Act No. 6848, also known as, "Charter of Al Amanah Islamic Investment Bank of the Philippines" and providing for the regulation and organization of an expanded Islamic banking system in the Philippines.

WHEREAS, the State, in Section 20, Article II of the Constitution, encourages private enterprise and provides incentives to needed investments;

WHEREAS, under the Constitution, the use of property bears a social function so that the consequences in law also must be defined by policy objectives related to property rights in productive enterprises;

WHEREAS, toward this end, the Government has committed itself to the establishment of Islamic banks operate within a legal framework permitting the investors or participants the rights to equitable or beneficial share in the profits realized from financing productive activities and other operations;

WHEREAS, to promote and accelerate the socio-economic development of the areas of its operation, there shall be created other Islamic banks and designated Islamic banking unit, which shall perform banking, financing and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on the Islamic concept of banking; Now, therefore.

Section 1: Sections ----- of Republic Act No. 6848 are hereby deleted while Sections -- of Republic Act No. 6848 are hereby amended to read as follows:

**CHARTER OF AL AMANAH ISLAMIC INVESTMENT BANK OF THE  
PHILIPPINES AND PROVIDING FOR THE REGULATION AND  
ORGANIZATION OF AN EXPANDED ISLAMIC BANKING SYSTEM IN THE  
PHILIPPINES**

**Part I – ISLAMIC BANKING SYSTEM AND ITS PURPOSE**

*Section 1. Title.* - This Act shall be known as, an Act amending Republic Act No. 6848, also known as "Charter of Al Amanah Islamic Investment Bank of the Philippines and providing for the regulation and organization of an expanded Islamic banking system in the Philippines.

*Section 2. Name, Domicile and Place of Business.* - There is hereby created the Al-Amanah Islamic Investment Bank of the Philippines, which shall be hereinafter called Amanah Islamic Bank and specifically known as AIB. Its principal domicile and place of business shall be in the Philippines.

*Section 3. Establishment of other Islamic Banks.* - Other Islamic banks may be established as may be authorized by the Bangko Sentral ng Pilipinas (BSP). The BSP may also authorize banks primarily engaged in conventional banking to engage in Islamic banking arrangements, including structures, transactions and practices, through a designated Islamic banking unit within the bank.

The Monetary Board may, under such rules as it may prescribe, authorize foreign Islamic banks to establish Islamic banking operations in the Philippines under any one of the modes of entry under Republic Act No. 7721, as amended by Republic Act 10641 notwithstanding the limitations under Section 2 thereof.

However, the Monetary Board may regulate the number of participants in the Islamic banking system taking into account the requirements of the economy, the preservation of the stability of the system, and the maintenance of healthy competition.

For purposes of this Act, AIB, other Islamic banks, designated Islamic banking units of conventional banks, and foreign banks that are authorized to conduct business in accordance with the principles of the Shari'ah shall be referred collectively to as "Islamic Banks" or "Islamic banking system".

*Section 4. Supervision and Regulation by the Bangko Sentral ng Pilipinas.* - The BSP shall have supervision over the operations of and exercise regulatory powers over Islamic banks. The BSP shall issue the implementing rules and regulations on Islamic banking.

*Section. 5. Definition of Terms.* - For the purposes of this Act, the following definition of terms is hereby adopted:

*Current account* in relation to Islamic banking business and services means the total deposits at Islamic Bank which are repayable on demand;

*Investment account* in relation to Islamic banking business or services means the total deposit liabilities at an Islamic Bank in respect of funds placed by a depositor or investor with that Islamic Bank for a fixed period of time under an agreement to share the profits and losses on the investment of such funds in accordance with the principles and precepts of Shari'ah, including the sharing of profits and losses with that Islamic Bank;

*Islamic banking business* means banking business whose aims and operations do not involve interest (riba) which is prohibited by the Shari'ah principles and which conducts its business (including transactions) in accordance with the principles of Shari'ah;

*Islamic Banking Unit* means a division, department, office or branch within the conventional bank that conducts business in accordance with the principles of the Shari'ah provided that the bank shall have a system for segregating the transactions of the Islamic Banking Unit from the conventional banking business;

*Participation* in relation to Islamic banking business and commercial operations means any agreement or arrangement under which the mode of joint investments or specific transactions shall not involve the element of interest charge other than as percentage share in profits and losses of business and which is otherwise conducted in accordance with the principles and precepts of Shari'ah;

*Riba* has the meaning assigned to it by Islamic law and jurisprudence as expounded by authoritative sources; in the context of banking activities, the term includes the receipt and payment of interest, including in the various types of lending and borrowing and in the exchange of currencies on forward basis;

*Savings account* in relation to Islamic banking business and services means the total deposits at the Islamic Bank which normally require the presentation of passbooks or such other legally acceptable documents in lieu of passbooks as approved by the BSP for deposit or withdrawal of money; and

*Share* means share in the capital of the Islamic Bank or a corporation and includes a stock, except where a distinction between stock and share is expressed or implied.

The Monetary Board may, by regulation, further define or clarify terms used in this Act consistent with the declared state policies above and taking into consideration the peculiar characteristics of Islamic banking.

***Section 6. Purpose and Basis.*** –The primary purpose of Islamic Banks shall be to promote and accelerate the socio-economic development of the Nation by performing banking, financing and investment operations and by establishing and participating in agricultural, commercial and industrial ventures based on the Islamic concept of banking.

All business dealings and activities of an Islamic Bank shall be subject to the basic

principles and rulings of Shari'ah within the purview of the aforementioned declared policy.

## **PART II - PROVISIONS GOVERNING THE AL-AMANAH ISLAMIC INVESTMENT BANK**

***Section 7. Authorized Capital Stock.-*** The authorized capital stock of the AIB shall be Ten billion pesos (P10,000,000,000).

The Board, upon the recommendation of the Secretary of Finance and with the approval of the President of the Philippines, may request to increase the authorized capital stock and total capitalization of AIB up to such amounts as may be necessary to attain the objectives of this Act.

***Section 8: Classification of Shares and Capital Structure -*** The AIB's authorized capital stock shall be classified as common shares including all existing paid-up shareholdings at the time of approval of this Act. AIB may be allowed to issue preferred shares as recommended by the Board of Directors and after proper clearance and approval from the Monetary Board.

Anyone of the existing shareholders may exercise its preemptive right to consolidate ownership of the outstanding shares as hereinafter increased; provided, that the common shares of the AIB which have been issued and outstanding shall form part of the increased capitalization of the AIB, subject to the concurrence of the existing shareholders of the AIB.

The AIB is hereby authorized by this Act to reacquire its common shares that are held privately.

***Section 9. Board of Directors; Composition; Tenure; Per Diems -*** The affairs and business of the Bank shall be directed and its properties managed and preserved and its corporate powers exercised, unless otherwise provided in this Act, by a Board of Directors consisting of at least five (5) but not more than nine (9) members, to be appointed by the President of the Philippines. The Chairman of the Board and the President of the Bank shall likewise be appointed by the President of the Philippines from among the members of the Board of Directors; Provided, That the position of Chairman of the Board and President of the Bank shall not be held by the same person. The term of office of the Chairman, President and Members of the Board of Directors shall be for a period of one year or until such time as their successors are appointed.

The Chairman shall preside at meetings of the Board and of the stockholders.

The President of the Bank shall be the Vice-Chairman of the Board, and as such, shall assist the Chairman and act in his stead in case of absence or incapacity. In case of incapacity or absence of both the Chairman and the Vice-Chairman, the Board of Directors shall designate a temporary Chairman from among its members.

Appointed members of the Board of Directors shall be subject to the fit and proper rule of the Bangko Sentral ng Pilipinas and to other qualification requirements as prescribed by the Good Governance Commission for Government-Owned and Controlled Corporations (GCG) and the Monetary Board.

The per diems and other financial remuneration of the Board of Directors of AIB shall be subject to the rules and regulations prescribed by the GCG.

The Board of Directors shall convene at the principal office at least once every month upon due notice by the Chairman or, whenever the need arises, upon the request of three (3) members of the Board of Directors. The Board may convene outside the Islamic Bank's principal office as the members shall determine in the bylaws of the Islamic Bank. AIB shall designate at least two (2) independent directors as required under existing banking laws and regulations.

**Section 10. Powers of the Board.** - The Board of Directors shall have the broadest powers to manage the Islamic Bank, except such matters as are explicitly reserved for the general shareholders meeting. The Board shall adopt policy guidelines necessary to carry out effectively the provisions of this Act as well as internal rules and regulations necessary for the conduct of its Islamic banking business and all matters related to personnel organization, office functions and salary administration.

The Board of Directors shall have the power to appoint managers, authorize agents or legal representatives and shall vest them with signing authority on behalf of the Bank either severally or jointly in accordance with the operational procedures of the Bank.

The Board shall cause the preparation of the AIB's financial according to generally accepted accounting principles established and appropriate for Islamic banking. Copies of the audited financial statements shall be provided to the shareholders before the date of the general meeting.

**Section. 11. President; Chief Executive Officer; Other Officers, Employees and Units.** - The Chief Executive Officer of the Bank shall be the President who shall be appointed by the President of the Philippines. The President and Chief Executive Officer, together with the other Bank Officers must meet the minimum requirements of the BSP for Bank Officers. Provided that in the event that the Bank is privatized with at least 51 percent of equity or ownership is held privately, the appointment by the President of the Philippines for the President and Chief Executive Officer shall no longer apply.

The President shall, among other powers and duties, execute, carry out and administer the policies, measures, orders and resolutions approved by the Board; direct and supervise the operation and administration of the Bank; and exercise such other powers and perform such other functions or duties as may be directed to be assigned to him by law or by the Board from time to time.

Particularly, the President of the Bank shall have the power and duty:

- (a) To sign and execute all contracts concluded by the Bank and enter into all necessary obligations required or permitted by this Act, upon proper authorization by the Board; and sign all notes, securities, certificates and other major documents of the Bank;
- (b) To exercise, as Chief Executive Officer of the Bank, the powers of control and supervision over decisions and actions of subordinate officers and all other powers that may be granted by the Board;
- (c) To report to the Board the main facts concerning the operations of the Bank and to recommend changes in policies which he may deem advisable;
- (d) To submit an annual report to the President of the Philippines on the result of the operations of the Bank;
- (e) To recommend to the Board the appointment, promotion or removal of all officers of the Bank, with the rank of at least Vice-President or its equivalent;
- (f) To appoint, promote or remove employees and officers below the rank of Vice President or its equivalent: Provided, that promotions, transfers, assignments or reassignments of officers and personnel of the Bank are personnel actions deemed made in the interest of the service and not disciplinary, any provision of the Civil Service Law to the contrary notwithstanding; and
- (g) As required by circumstances, to delegate any of his powers, duties or functions to any officer or director of the Bank, with the approval of the Board.

**Section. 12. General Shareholders Meeting.** - The general shareholders meeting shall convene annually at the latest within six (6) months following the end of the financial year of AIB at the place, date and time fixed in the notice for the meeting. The attendance of shareholders representing at least sixty per centum (60%) of the capital of the AIB shall constitute a quorum to do business. The purpose, date, place, the manner of giving notice and other matters relating to the holding of the general shareholders meeting shall be provided in the by-laws of the AIB in conformity with Section 20 of this Act, subject to the applicable provisions of the Corporation Code of the Philippines.

**Section. 13. Purpose of General Meeting.** - The general shareholders meeting shall convene purposely to hear the Board of Directors' report on the activities of the AIB, its financial condition, the auditor's report, to approve the annual financial statements, to determine the portion of dividends to be distributed to the shareholders and the method of distribution, to appoint the auditors, and to elect the members of the Shari'ah Advisory Council.

For purposes of this section, "Capital" shall refer to the Total Subscribed Capital, whether paid or unpaid.

**Section. 14. Ordinary and Extraordinary Sessions.** - The general shareholders meeting shall be presided over by the Chairman of the Board of Directors. All resolutions adopted by the general meeting in ordinary session assembled shall be

taken by a vote of the shareholders representing at least a majority of the outstanding shares and in case of votes being equal, the Chairman shall cast his vote to break the tie. The resolutions of the general meeting adopted in accordance therewith shall be binding on all shareholders including those not in attendance or opposing the resolution.

An extraordinary general meeting shall be required to pass resolutions related to the increase or decrease of capital of AIB, the extension of its legal existence or matters affecting amendment of the Charter. Resolutions of the extraordinary general meeting shall be deemed adopted when a majority vote of at least sixty-six and two-thirds plus one per centum ( $66 \frac{2}{3} + 1\%$ ) of the capital shares shall have been cast.

In no case shall the general meeting resolve to modify the object of the Bank as an Islamic Investment Bank.

**Section. 15. Bank Auditor Reports.** - Notwithstanding the provisions of any existing law to the contrary, AIB is hereby authorized to appoint an external auditor approved by the general shareholders meeting whose qualification and remunerations shall be fixed by the Board of Directors. The external auditor appointed under this section shall assume his functions from the date of his appointment until the date of the next general shareholders meeting. In case a vacancy occurs at any time during the year for any reason, the Board of Directors shall immediately appoint a replacement.

The duties of the auditor shall be to conduct an audit of the accounts of the Bank and to make a report to the Board of Directors.

In the exercise of his auditing functions, all Bank books, accounts and documents shall be made available to the auditor for inspection to ascertain the Bank's assets and obligations. Copies of the latest audited financial statements, and the reports of the auditor to the Board of Directors shall be forwarded by the AIB, within the prescribed time as may be determined in the implementing rules and regulations, to the BSP.

**Section. 16. Employee Share Schemes.** - Subject to applicable rules and regulations issued by the BSP, the Board of Directors may adopt an employee profit sharing scheme under any of the following ways:

(1) Any arrangement under which the directors, officers and employees of the Islamic Bank receive in addition to their salaries and wages a share, fixed beforehand, in the profits realized by the AIB or by affiliate companies of the AIB to which the profit sharing scheme relates; and

(2) Any arrangement under which AIB facilitates the acquisition by its directors, officers and employees of common shares of stock either as share-incentives, share-bonus options, or any other share-saving schemes as the Board of Directors may determine.

No scheme shall be approved by the Board of Directors under this section unless it is satisfied that the participant in the profit sharing scheme is bound by a contract with the AIB by virtue of which an appropriation of shares has been made for the purpose. The shares so purchased or appropriated shall be deposited in escrow with the AIB.

The AIB shall then constitute the trustees of an approved scheme, whose functions with respect to the common shares held by them are regulated by Chapter IX of the General Banking Law of 2000 and other pertinent laws, and terms of which are embodied in a deed of instrument as the Board may require.

**Section. 17. Terms of Legal Existence.** - The legal existence of the AIB shall be for a period of fifty (50) years, from the date of the approval of this Act, renewable upon resolution of the general shareholders meeting called for said purpose.

At the expiration of the AIB's corporate existence or in the event of its dissolution before this date, the general shareholders meeting shall, upon the request of the Board of Directors, define the method of dissolution as provided for in its by-laws.

**Section. 18. Privatization.** - Nothing in this Act shall be construed to preclude the AIB - from privatizing its ownership. For this purpose, any limitation on the transfer of shares shall not be applicable with respect to the existing shareholdings of the government or any of its instrumentalities.

In the event of privatization, the Bank shall be registered with the Securities and Exchange Commission, and shall be subject to applicable provisions of the Corporation Law in addition to the rules and regulations of the Bangko Sentral ng Pilipinas and other government regulatory agencies.

**Section 19. Statutory Articles of Incorporation.** - This Act, upon its effectivity, shall be deemed accepted for all legal intents and purposes as the Statutory Articles of Incorporation of the AIB; and that notwithstanding the provisions of any existing law to the contrary, the AIB shall be deemed registered and duly authorized to do business and operate as an Islamic Bank as of the date of approval of this Act.

**Section. 20. By-laws.** - Within sixty (60) days upon effectivity of this Act, the by-laws of the AIB for its organizational, functional and operational government and procedure shall be adopted by affirmative vote at the general shareholders meeting representing a majority of all subscribed capital stock entitled to vote, whether paid or unpaid, subject to certification by the Monetary Board pursuant to Section 14 of the General Banking Law of 2000.

The by-laws, duly certified by the Monetary Board as aforesaid, shall be signed by the shareholders voting for them and shall be kept in the principal office of the AIB, subject to the inspection of the shareholders during office hours, and a copy thereof, duly certified by a majority of the directors and countersigned by the Corporate Secretary of the AIB, shall be filed and registered with the Securities and Exchange

Commission.

### **PART III – GENERAL PROVISIONS**

**Section 21. Shari'a Advisory Councils.** - It shall be the responsibility of an Islamic Bank to ensure its compliance with Shari'ah principles. For this purpose, it shall constitute its Shari'ah Advisory Council.

The functions of the Shari'ah Advisory Council shall be to offer advice and undertake reviews pertaining to the application the principles and rulings of the Shari'a but it shall not directly involve itself in the operations of the Islamic Bank.

**Section 22. Islamic Bank's Powers.** - In addition to the general powers incident to corporations, Islamic banks shall all have such powers as shall be necessary and prudent to carry out the business of a bank in accordance with Sharia principles.

Islamic banks may:

1. ) perform the following banking services:
  - a. accept or create demand deposits;
  - b. accept saving accounts for safekeeping or custody with no participation in profit and losses except unless otherwise authorized by the account holders to be invested
  - c. accept investment account placements and invest the same for a term with the Islamic Bank's funds in Shari'ah compliant transaction on participation or agency basis;
  - d. accept foreign currency deposits;
  - e. act as correspondent of banks and institutions to handle remittances or any fund transfers;
  - f. accept drafts and issue letters of credit or letters of guarantee, negotiate notes and bills of exchange and other evidence of indebtedness under the universally accepted Shari'ah compliant financial instruments;
  - g. act as collection agent insofar as the payment orders, bills of exchange or other commercial documents are exclusive of *riba* or interest prohibitions;
  - h. provide financing with or without collateral by way of leasing, sale and leaseback, cost-plus profit sales arrangements, and other Shari'ah compliant financing contracts and structures;
  - i. handle storage operations for goods or commodity financing secured by warehouse receipts presented to the Islamic Bank;
  - j. issue shares for the account of institutions and companies assisted by the Islamic Bank in meeting subscription calls or augmenting their capital and/or fund requirements as maybe allowed by law;
  - k. undertake various investments in all transactions allowed by Shari'ah in such a way that shall not permit the *haram* (forbidden), nor forbid the *halal* (permissible); and
  - l. such other banking services as may be authorized by the Monetary Board;
- 2) with prior Monetary Board approval, issue investment participation certificates,

sukuk, and other Shari'ah compliant funding instruments to be used by the Islamic bank in its operations or capital notes;

3) to carry out financing and joint investment operations by way of *mudarabah* partnership, *musharakah* joint venture or by decreasing participation, *murabahah* purchasing of others on a cost-plus financing arrangement, lease (*ijara*) arrangements, construction and manufacture (*istisna'a*) arrangements, and other Shari'ah compliant contracts and structures and to invest funds directly in various projects or through the use of funds whose owners desire to invest jointly with other resources available to the Islamic Bank on a joint *Mudarabah* basis in accordance with the foregoing arrangements, contract and structures;

4) with prior MB approval, invest in equities of the Shari'ah compliant undertakings that directly support the delivery of Islamic banking and financing services; and

5) To exercise the general powers of a Universal bank that are consistent with Shari'ah principles.

**Section 23. Ownership and Legal Existence** – Other Islamic Banks to be created under this Act shall comply with the requirements of applicable laws, rules and regulations in the organization of a private corporation engaged in banking, such as under the Corporation Code of the Philippines, and in compliance with the requirements of the respective regulatory agencies.

The total capitalization of other Islamic Banks shall be equivalent to the prescribed capitalization of a Universal Bank as prescribed by the BSP. The AIB and other Islamic Banks may take the necessary steps to have shares listed in any duly registered stock exchange.

The legal existence of other Islamic Banks created under this Act shall conform with the provisions of the Corporation Code.

The enactment and approval of the by-laws of other Islamic Banks shall conform with the provisions of the Corporation Code and the rules and regulations of the BSP and the SEC.

**Section 24. Transfer and Acquisition of Substantial Shareholdings.** – No person shall acquire shares in an Islamic Bank that will result in ownership or control, directly or indirectly, of more than ten percent (10%) of the voting stock of such Islamic Bank, without obtaining the prior approval of the Monetary Board. Prior to Monetary Board approval, no such transfer or acquisition of shares shall have legal effect nor shall the same be recognized in the stock and transfer books of the Islamic Bank nor in the records of any government agency.

**Section 25. Fit and Proper Rule.** – In order to maintain the quality of Islamic bank management and afford better protection to depositors, investors and the public in general, the Monetary Board shall prescribe, pass upon and review the

qualifications of persons who are elected or appointed bank directors or officers and disqualify those found unfit. The Monetary Board shall prescribe the qualifications of bank directors and officers for purposes of this Act.

*Section 26. Regulatory Standards.* – Islamic banks shall be licensed and regulated analogous to the treatment accorded to a Universal bank.

The Bangko Sentral ng Pilipinas shall specify prudential and conduct standards and regulations to promote:

(a) the sound financial position of Islamic banks; and

(b) integrity, professionalism and expertise in their conduct of the business, affairs and activities.

These standards shall take into consideration international best practices and principles relating to, but not limited to:

(a) capital adequacy;

(b) liquidity;

(c) corporate governance;

(d) risk management;

(e) related party transactions;

(f) maintenance of reserve funds;

(g) prudential reporting;

(h) investment ceilings and limitations;

(i) prevention of an institution from being used, intentionally or unintentionally, for unlawful activities; and

(j) consumer protection.

*Section 27. Current Accounts of Islamic Banks.* – The BSP is authorized to open current accounts for Islamic banks for settlement and other purposes under such rules and regulations as the Monetary Board may prescribe: Provided, That the Bangko Sentral may charge administrative and other fees for the maintenance of such facilities as may be allowed by Shari'ah principles.

*Section 28. Financial Facilities for Islamic Banks.* –The BSP may, taking into consideration the peculiar characteristics of Islamic banking, formulate rules and regulations for the extension of financial facilities to Islamic banks for purposes provided under Chapter IV, Articles IV and V of Republic Act No. 7653.

Subject to availability of budgetary support and other funding sources, the Philippine Deposit Insurance Corporation (PDIC) may extend financial assistance to an Islamic bank determined to be in danger of closing in order to prevent such closing or when it is determined by the Monetary Board and the PDIC Board of Directors that the continued operation of such Islamic bank is essential to maintain financial stability in the economy.

**Section 29. Monetary Stabilization Policy and Tools.** - Pursuant to the authority of the Monetary Board under Section 61 of The New Central Bank Act to control the expansion or contraction in monetary aggregates prejudicial to the maintenance of price stability, the BSP, taking into consideration the peculiar characteristics of Islamic banking, may require Islamic banks to maintain reserves against their deposit accounts and funds held in trust or under investment accounts. The Monetary Board may further identify other appropriate instruments and measures necessary to effect its monetary policy, including whenever there are abnormal movements in monetary aggregates, provided the peculiar characteristics of Islamic banking are taken into account.

**Section 30. Tax Neutrality.** - The Government shall endeavour to achieve neutral tax treatment between Islamic banking transactions and equivalent conventional banking transactions. The Bureau of Internal Revenue (BIR), pursuant to its rule-making power, shall issue policies and guidelines to implement tax neutrality conducive to the growth of Islamic banking and finance in the country. To achieve tax neutrality, the BIR may modify applicable taxes on Islamic banking transactions.

**Section 31. Non-Applicability of Selected Acts.** - In order to achieve the international and domestic objectives of Islamic banking business, the provisions of the following acts and laws shall not apply to the Islamic Banks to the extent as herein rendered inoperative:

(1) The provisions of R.A. No. 7653, otherwise known as The New Central Bank Act, and R.A. No. 8791, otherwise known as The General Banking Law of 2000, with particular reference to the determination of bank interest rates, loans and discounts, and any interest-bearing instruments or charge: provided, that nothing contained herein shall be construed to impair the powers of the Bangko Sentral ng Pilipinas to supervise and regulate the activities of the Islamic banking system;

(2) The provisions of Presidential Decree 1445, otherwise known as "The General Auditing Act" and any other enactments thereon inconsistent with this Act; and

(3) The provision of R.A. No. 3591, as amended, otherwise known as the "PDIC Charter" and all laws, regulating insurance companies: provided, however, that nothing contained herein shall preclude the Islamic Banks and Islamic banking units from the establishment of contemporary Islamic *tafakul* (solidarity services) free of *riba* premiums or interests.

**Section 32. Sanctions.** - Any director, officer, employee, auditor, or agent of an Islamic Bank who is found guilty of acts or omissions in violation of any provision of this Act and its implementing rules and regulations shall be punished by a fine not exceeding One million pesos (P1,000,000.00) or by imprisonment of not more than five (5) years, or both at the discretion of the court, without prejudice to the administrative and criminal sanctions that may be imposed pursuant to existing banking laws and regulations.

**Section 33. Consumer Protection and Capacity Building Program** - The Government

shall provide programs for increased consumer awareness and capacity building required by the expanded Islamic banking system.

**Section 34. Repealing and Separability Clauses.** – R.A. No. 6848 is hereby amended.

All acts, executive orders, administrative orders, proclamations, rules and regulations or parts thereof inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly.

If any provision or section of this Act or the application thereof to any person, association or circumstances is held invalid, the other pertinent provisions or section of this Act and their application to such person, association or circumstances shall not be affected thereby.

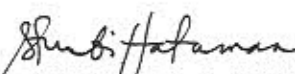
**Section 2:** Any provisions of existing law, rules and regulations inconsistent with the provisions of this Decree as to its application to Islamic Banking are hereby repealed and modified accordingly.

If any provision or section of this Act or the application thereof to any person, association or circumstances is held invalid, the other pertinent provisions or section of this Act and their application to such person, association or circumstances shall not be affected thereby.

**Section 3.** This Act shall take effect fifteen (15) days after publication.

Done in \_\_\_\_\_

*Approved,*

  
HON. SITI DJALIA A. TURABIN-HATAMAN