



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



Seventeenth Congress
Second Regular Session

HOUSE BILL NO. **6466**

Introduced by Representative Ma. Lourdes Acosta-Alba

EXPLANATORY NOTE

This bill requires bank directors and officers to undergo training on banking and good governance to ensure the safe and sound administration of banks.

Banks play a vital role in the country's financial system and economic development. They stimulate savings and investments and provide capital for enterprises. They provide funds to help people buy their cars, homes and start businesses through loans. Banks are also depositaries of people's hard earned money, thus, it is imperative for these institutions to be effectively governed by qualified individuals.

In the Philippines, the board of directors is responsible for the corporate governance of the bank. It establishes strategic objectives, policies and procedures that guide and direct the activities of the bank and the means to attain the same including the mechanism for monitoring management's performance. While the management of the day-to-day affairs of the institution is the responsibility of the management team, the board of directors is, however, responsible for monitoring and overseeing management action. Bank directors are required to establish and review business plans, formulate clear policies on risk management, establish framework on internal control and ensure the appropriate performance and review of internal audit.

Given the importance of bank directors and officers and their responsibility in overseeing the successful operations of banks, it is but fitting that bank directors and officers be required to undergo training on banking and

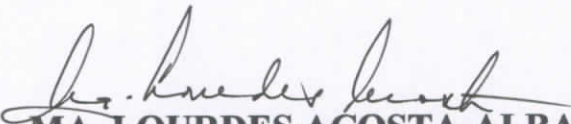
good governance so that they may adequately understand and discharge their duties properly as directors and officers of the bank.

In the report of Adrian Cadbury, published in December 1992 in London entitled "*Report of the Committee on the Financial Aspects of Corporate Governance*," the importance of the director's training to good governance was also emphasized, to wit:

"The weight of responsibility carried by all directors and the increasing commitment, which their duties require, emphasize the importance of the way in which they prepare themselves for their posts. Given the varying backgrounds, qualifications and experience of directors, it is highly desirable that they should all undertake some form of internal or external training. This is particularly important for directors, whether executive or non-executive, with no previous board experience. Newly appointed board members are also entitled to expect a proper process of induction into the company's affairs. It is then up to individual directors to keep abreast of their legislative and broader responsibilities."

This bill aims to increase the capability of bank directors and officers to promote the safety and soundness of banks and banking system and protect the right of depositors and consumers of financial services.

In view of the foregoing, approval of this bill is earnestly sought.


MA. LOURDES ACOSTA-ALBA



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AN ACT

**REQUIRING BANK DIRECTORS AND OFFICERS TO UNDERGO TRAINING
ON BANKING AND GOOD GOVERNANCE FOR SAFE AND SOUND
ADMINISTRATION OF BANKS, AMENDING FOR THE PURPOSE REPUBLIC
ACT NO. 8791, AS AMENDED, OTHERWISE KNOWN AS “THE GENERAL
BANKING LAW OF 2000”**

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

SECTION 1. Section 16 of Republic Act No. 8791, as amended, is hereby further
amended to read as follows:

“SEC. 16. *Fit and Proper Rule.* – To maintain the quality of bank
management and afford a better protection to depositors and the public in
general, the Monetary Board shall prescribe, pass upon and review the
qualifications and disqualifications of individuals elected or appointed bank
directors or officers and disqualify those found unfit.

After due notice to the board of directors of the bank, the Monetary
Board may disqualify, suspend or remove any bank director or officer who
commits or omits an act which render him unfit for the position.

1 In determining whether the individual is fit and proper to hold the
2 position of a director or officer of a bank, regard shall be given to his
3 integrity, experience, education, training, and competence.

4 BEFORE ASSUMING THE POSITION OF BANK DIRECTOR OR
5 OFFICER, THE ELECTED OR APPOINTED NOMINEE MUST
6 COMPLETE THE TRAINING ON BANKING AND GOOD
7 GOVERNANCE AND PASS THE QUALIFYING EXAMINATION
8 CONDUCTED BY THE BSP OR TRAINING CENTER ACCREDITED
9 BY THE BSP WHICH INCLUDES:

10 A) GOOD GOVERNANCE;

11 B) BANKING RULES AND REGULATIONS;

12 C) BANK COMPLIANCE;

13 D) RISK MANAGEMENT AND OVERSIGHT; AND

14 E) INTERNAL AUDIT.

15 EACH BANK MUST ALSO REQUIRE INCUMBENT
16 DIRECTORS OR OFFICERS TO ATTEND THE TRAINING
17 PERIODICALLY TO ADVANCE THEIR SKILLS.

18 BANKS MUST ESTABLISH AND MAINTAIN A POLICY FOR
19 THE TRAINING OF BANK DIRECTORS OR OFFICERS INCLUDING
20 ITS IMPLEMENTING PROCEDURES. THE POLICY MAY IDENTIFY
21 AND INCLUDE OTHER TRAINING AREAS THAT ENHANCE THE
22 CAPABILITY OF BANK DIRECTORS OR OFFICERS.”

1 SEC. 2. Within sixty (60) days from the effectivity of this Act, the Governor of
2 Bangko Sentral, in consultation with the Secretary of Finance, shall issue the necessary
3 rules and regulations for the effective implementation of this Act.

4 SEC. 3. This Act shall take effect fifteen (15) days after its publication in the
5 *Official Gazette* or in a newspaper of general circulation.

6 Approved,