

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS

First Regular Session

HOUSE RESOLUTION NO. 24



Introduced By Representative Jurdin Jesus M. Romualdo

RESOLUTION

DIRECTING THE COMMITTEE ON BANKS AND FINANCIAL INTERMEDIARIES TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE FAILURE OF THE LAND BANK OF THE PHILIPPINES AND THE DEVELOPMENT BANK OF THE PHILIPPINES (DBP) TO ENFORCE CREDIT RISK MEASURES AND TAKE PROACTIVE MEASURES TO SAFEGUARD GOVERNMENT FUNDS FROM DEFAULTED HIGH RISK DEBTORS

WHEREAS, the Land Bank of the Philippines (LBP), created under Republic Act (RA) No. 3844, as amended, and the Development Bank of the Philippines (DBP), established under RA No. 2081, as amended, are government financial institutions mandated to support national development by providing financial services primarily for rural development, agriculture, and other critical social sectors;

WHEREAS, under Section 39 of RA 8791, or the "General Banking Law of 2000," banks are required to exercise prudence and observe sound banking practices, particularly in granting loans—by ensuring creditworthiness, sufficient collateral, and effective risk management systems to safeguard public funds;

WHEREAS, the Bangko Sentral ng Pilipinas (BSP), empowered by RA No. 7653, or the "New Central Bank Act," regulates and supervises banks and non-bank financial institutions to ensure stability, transparency, and the responsible issuance of loans;

WHEREAS, both LBP and DBP have granted substantial loans to capital intensive industries such as the "Asian Marine Transport Corporation (AMTC)", a shipping corporation based in Cebu City believed to have defaulted on its huge loan obligations;

WHEREAS, this corporation represents a very sizeable chunk in the loan portfolios of these banks and also, other private banks;

WHEREAS, during an inquiry of the Committee on Banks and Financial Intermediaries in the 19th Congress, it was established that LBP and DBP failed to take timely and proactive measures such as regular monitoring and accounts updating including its collaterals of this corporation, or pursue foreclosure actions on the borrower's assets and collaterals, utilize the "Joint and Solidary Signature of the Corporations Officers (JSS) and in fact, this is just one corporation who availed of a sizeable loan;

WHEREAS, it was also discovered during seven (7) public hearings that there seems to be an income smoothing made by these banks to show that they are financially stable as government banks and that their appeal for increase bank capitalization is to secure and offer more programs to industries and potential bank clients. However, both banks failed to address and act aggressively in pursuing collection of due and demandable outstanding loans including their interests and penalties prior to the congressional hearings;

WHEREAS, the Bangko Sentral ng Pilipinas also failed to determine the income smoothing actions of these banks and have not intervene to ensure that capital of these government financial institutions are managed well and why its stance is left to the discretion of these banks when BSP is the regulator of the whole banking industry;

WHEREAS, these government GFI's also failed to update their accounts with the Credit Information Corporation and have not availed of the services provided by this government institution whose mandate under Republic Act No. 9510, Section 4.(c), to wit:

Section 4. Establishment of the Credit Information System

x x x

c.) Participating submitting entities are required to regularly submit to the Corporation any negative and positive credit information that tends to update and/or correct the credit status of borrowers. The Corporation shall fix the time interval for such submission: Provided, That such interval shall not be less than fifteen (15) working days but not more than thirty (30) working days.

WHEREAS, there is also a need to check with the Securities and Exchange Commission as to the compliance requirements of juridical entities or corporations with sizeable loans with government banks, if General Information Sheets (GIS) and Annual Financial Statements are submitted and if these documents are also required by these banks from their debtors;

WHEREAS, we need to determine how these government banks handle their entire loan portfolio, what is the coverage of their loan loss provisions, and its impact on their capital and if this is in accordance with existing banking industry standards;

WHEREAS, these lapses in risk management and failure to recover public funds could lead to significant financial exposure and undermine the credibility and integrity of these government financial institutions, necessitating urgent legislative scrutiny and possible policy and regulatory reforms;

WHEREAS, it is essential to determine the extent of liability of LBP and DBP officers involved in such transactions, whether they breached existing banking laws, if officers were in collusion with their debtors, if they have exceeded their discretion in credit risk management assessment, and to ensure that these aspects and systemic gaps will be addressed through corrective legislative measures to ensure that government funds from these government financial institutions are managed well and transactions are above-board;

WHEREAS, the Committee on Banks and Financial Intermediaries shall not be precluded to tackle deliberations on the amendments to the Charters of LBP and DBP, however, this inquiry must first be resolved so proper legislative measures will be filed and adapted to further strengthen regulatory functions, improve institutional accountability and integrity for the protection of public interest; **NOW, THEREFORE, BE IT**

RESOLVED BY THE HOUSE OF REPRESENTATIVES, to direct the Committee on Banks and Financial Intermediaries to conduct an inquiry, in aid of legislation, into the failure of the Land Bank of the Philippines and the Development Bank of the Philippines to enforce credit risk measures and proactive in connection with loans granted to capital-intensive institutions, with the end view of proposing remedial legislation and recommending appropriate sanctions.

Adopted,

A handwritten signature in black ink, consisting of a large, stylized loop with a vertical line through it, ending in a small arrowhead pointing downwards.

JURDIN JESUS M. ROMUALDO
Lone District, Camiguin