

# Republic Act No. 6426

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## REPUBLIC ACT NO. 6426

### **AN ACT INSTITUTING A FOREIGN CURRENCY DEPOSIT SYSTEM IN THE PHILIPPINES, AND FOR OTHER PURPOSES**

SECTION 1. Title. — This Act shall be known as the “Foreign Currency Deposit Act of the Philippines.”

SECTION 2. Authority to Deposit Foreign Currencies. — Any person, natural or juridical, may, in accordance with the provisions of this Act, deposit with such Philippine banks in good standing, as may, upon application, be designated by the Central Bank for the purpose, foreign currencies which are acceptable as part of the international reserve, except those which are required by the Central Bank to be surrendered in accordance with the provisions of Republic Act Numbered Two hundred sixty-five.

SECTION 3. Authority of Banks to Accept Foreign Currency Deposits. — The banks designated by the Central Bank under Section two hereof shall have the authority:

- (1) To accept deposits and to accept foreign currencies in trust: Provided, That numbered accounts for recording and servicing of said deposits shall be allowed;
- (2) To issue certificates to evidence such deposits;
- (3) To discount said certificates;
- (4) To accept said deposits as collateral for loans subject to such rules and regulations as

may be promulgated by the Central Bank from time to time; and

(5) To pay interest in foreign currency on such deposits.

SECTION 4. Foreign Currency Cover Requirements. — Except as the Monetary Board, by a unanimous vote of all incumbent members, may otherwise prescribe or allow, the depository banks shall maintain at all times a one hundred percent foreign currency cover for their deposit liabilities, of which cover at least fifteen percent shall be in the form of foreign currency deposit with the Central Bank, and the balance in the form of foreign currency deposits or of foreign currency loans or securities, which loans or securities shall be of short term maturities and readily marketable. Such foreign currency loans may include loans to domestic enterprises which are export-oriented or registered with the Board of Investments, subject to the limitations to be prescribed by the Monetary Board on such loans. The foreign currency cover shall be in the same currency as that of the corresponding foreign currency deposit liability. The Central Bank may pay interest on the foreign currency deposit, and if requested shall exchange the foreign currency notes and coins into foreign currency instruments drawn on its depository banks.

SECTION 5. Withdrawability and Transferability of Deposits. — There shall be no restriction on the withdrawal by the depositor of his deposit or on the transferability of the same abroad except those arising from the contract between the depositor and the bank.

SECTION 6. Tax Exemption of Interests on Deposits. — The interests on deposits under this Act, belonging to nonresidents not engaged in trade or business in the Philippines, shall be exempt from income tax.

SECTION 7. Rules and Regulations. — The Monetary Board of the Central Bank shall promulgate such rules and regulations as may be necessary to carry out the provisions of this Act which shall take effect after the publication of such rules and regulations in the Official Gazette and in a newspaper of national circulation for at least once a week for three consecutive weeks. In case the Central Bank promulgates new rules and regulations decreasing the rights of depositors, the rules and regulations at the time the deposit was made shall govern.

SECTION 8. Secrecy of Deposits. — The secrecy of deposits under this Act shall be governed in accordance with the provisions of Republic Act Numbered One thousand four hundred five.

SECTION 9. Deposit Insurance Coverage. — The deposits under this Act shall be insured under the provisions of Republic Act Numbered Three thousand five hundred ninety-one (<http://wp.me/p10moZ-eUx>), as amended, as well as its implementing rules and regulations: Provided, That insurance payment shall be in the same currency in which the insured deposits are denominated.

SECTION 10. Penal Provisions. — Any willful violation of this Act or any regulation duly promulgated by the Monetary Board pursuant hereto shall subject the offender upon conviction to an imprisonment of not less than one year nor more than five years or a fine of not less than five thousand pesos nor more than twenty-five thousand pesos, or both such fine and imprisonment at the discretion of the court.

SECTION 11. Separability Clause. — The provisions of this Act are hereby declared to be separable, and in the event one or more of such provisions are held unconstitutional, the validity of other provisions shall not be affected thereby.

SECTION 12. Repealing Clause. — All Acts, executive orders, rules and regulations, or parts thereof, which are inconsistent with any provision of this Act are hereby repealed, amended or modified accordingly, without prejudice, however, to deposits made thereunder.

SECTION 13. Effectivity. — This Act shall take effect upon its approval.

Approved: April 4, 1972

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