

CENTRAL BANK OF THE PHILIPPINES

Twenty-sixth **Annual Report**

1974

BANGKO SENTRAL NG PILIPINAS



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RESPONSIBILITIES AND OBJECTIVES OF THE CENTRAL BANK

"It shall be the responsibility of the Central Bank of the Philippines to administer the monetary, banking, and credit system of the Republic.

"It shall be the duty of the Central Bank to use the powers granted to it under this Act to achieve the following objectives:

"(a) Primarily to maintain internal and external monetary stability in the Philippines, and to preserve the international value of the peso and convertibility of the peso into other freely convertible currencies; and

"(b) To foster monetary, credit and exchange conditions conducive to a balanced and sustainable growth of the economy."

—Section 2, Article I of Republic Act No. 265, as amended.

Central Bank of the Philippines

MANILA

OFFICE OF THE GOVERNOR

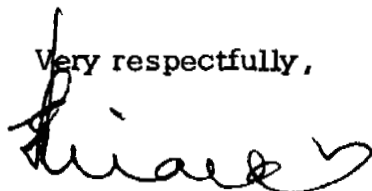
March 18, 1975

His Excellency
The President of the Philippines
Malacañang, Manila

Dear Mr. President:

Pursuant to the provision of Section 37 of Republic Act No. 265, as amended, I have the honor to submit the Twenty-Sixth Annual Report (1974) of the Central Bank of the Philippines.

Very respectfully,

A handwritten signature in dark ink, appearing to read 'G. S. Licaros', with a stylized flourish at the end.

G. S. LICAROS
Governor

CENTRAL BANK OF THE PHILIPPINES

THE MONETARY BOARD MEMBERS

Gregorio S. Licaros
Chairman
Governor, Central Bank of the Philippines

Cesar E. A. Virata
Secretary of Finance

Gerardo P. Sicat
Director-General
National Economic and Development Authority

Vicente T. Paterno
Chairman, Board of Investments

Belen Enrile-Gutierrez

Cesar C. Zalamea

PRINCIPAL OFFICERS

Gregorio S. Licaros
Governor

Amado R. Briñas
Senior Deputy Governor

R. Marino Corpus
Deputy Governor
Domestic Operations Sector

Benito Legarda, Jr.
Deputy Governor
Research Sector

Jaime C. Laya
Deputy Governor
Supervision and Examination Sector

Cesar J. Lomotan
Deputy Governor
International Operations Sector

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SOURCES AND SYMBOLS

SOURCES.—Statistic are derived mainly from government bureaus and offices through direct communications with the entities concerned and from published statistical reports and bulletins.

Data on money and banking are derived from Consolidated Statements of Condition of Other Banks (commercial banks, savings banks and rural banks) and information supplied by other departments of the Central Bank.

UNITS.—The word "thousand" is used to mean 10 hundred units, "million", 1,000 thousand units; and "billion", 1,000 million units.

Gregorian calendar years and months are used. Data for fiscal years ending June 30 are properly noted whenever used.

SYMBOLS.—The following symbols are used to convey the information in each case.

Symbol	Information
. .	Data not available.
. . .	Data not applicable or appropriate.
—	Nil or zero.
--	Data too small to be expressed.
p	(Set up as a superior index) Preliminary.
r	(Set up as a superior index) Revised.
e	(Set up as a superior index) Estimate.
n.e.s.	Not elsewhere specified.

ROUNDING OF FIGURES.—Any slight discrepancy that may be noticed between the sum of the constituent items and the total as shown in some tables may be attributed to the rounding of numbers.

I. ECONOMIC REVIEW

A. OVER-ALL

1974 will go down in economic history as a year in which the world faced problems that blurred former lines of distinction between developed and developing countries, and between the East and West and began to see the drawing of new ones based on energy resource endowments. The massive increase in the price of oil triggered a tremendous upheaval in the world economy whose far-reaching repercussions were felt both in the economic and political fronts. The oil price hike greatly complicated the task of combatting inflation and at the same time intensified the forces of recession which dominated the international economic scene during the latter part of the year.

For the Philippines, as for most other countries of the world, 1974 was a year marked by serious difficulties. Adversely affected by the higher cost of oil and "stagflation" in industrial economies, the country faced one of its most trying years. Despite these difficulties, however, the Philippines rounded off the year with the external position in positive balance and the domestic economy reflecting positive growth rates in over-all production indices, underscoring the country's inherent resiliency and the Government's efforts to maintain momentum and achieve progress towards development goals.

The Philippines had an over-all balance of payments surplus of \$110 million in 1974, well below the remarkable surplus of \$664 million in 1973, but an achievement nonetheless when considered in the light of the sharp upturn in the price of petroleum products and the softening of world markets for some of the country's principal exports in the second half of the year. Substantial inflows from non-merchandise and capital accounts (\$528 million) offset the tremendous merchandise trade deficit of \$418 million, thus leaving a comfortable over-all surplus and making possible, for the year at least, one positive score in the face of overwhelming odds.

Exports for 1974 reached \$2,725 million, a 44.5 per cent improvement over those for 1973, due largely to carryover effects of favorable prices which lasted up to the first half of the year. Imports, however, affected by the unprecedented rise in the cost of oil (245 per cent) nearly doubled and hit \$3,143 million, of which almost 21 per cent (\$653 million, itself thrice that for 1973) constituted petroleum products. In fact the increase in the petroleum import bill was nearly one third the increase in total imports. Thus, the purchasing power of exports went down by 18 per cent, totally offsetting the 7 per cent improvement in the country's net terms of trade.

The United States regained the topmost position among the Philippines' leading trading partners after trailing Japan since 1970. The

growing importance of the Middle East and the Communist bloc countries in the country's external trade became more apparent during the year. Total trade with the Middle East increased almost three fold, increasing its share of Philippine trade to more than twice that of last year. Similarly, trade with Eastern Europe expanded significantly by almost six times the comparable level last year. Trade with the People's Republic of China was also at higher levels. However, these latter increases started from a modest base.

Significant shifts were also noted in the relative importance of export products. Sugar re-emerged as the leading export commodity group dislodging wood products which dropped to fourth place; coconut products climbed to second position, displacing mineral products which slid to third. Non-traditional exports continued their growth but at a slower pace, maintaining their share of the market at last year's level.

Net compensatory borrowings for 1974 amounted to \$180 million, the Central Bank having provided earlier for a second line of reserves in view of the projected impact of the oil crisis. This, on top of the year's over-all surplus of \$110 million, raised the year-end level of the international reserve to \$1,165 million, 33 per cent higher than the reserve as of the end of 1973.

The year's developments left their impression on the country's foreign exchange rate, which depreciated to ₱7.067 per US\$1.00 in November, after having appreciated to ₱6.72 in mid-1974. It remained at ₱7.067, with normal fluctuations up to the end of the year.

On the domestic front, the monetary system also felt the impact of external pressures. Money supply, to a great extent still fed by externally-generated money, rose to ₱10,220 million, 25 per cent more than the end-1973 level. Although the domestic sector, particularly the public sector, continued to exert a deflationary influence, carry-over effects of the highs reached by the export sector up to mid-1974 spilled over to the monetary stream. In terms of its contribution to total domestic liquidity, money supply comprised 40 per cent of total domestic liquidity, which in turn amounted to ₱25,692 million or 34 per cent over the end-1973 level. Savings and time deposits, up by 15 per cent over 1973 levels comprised 30 per cent of total liquidity, while deposit substitutes, higher by 82 per cent over the year-previous total, represented 30 per cent of total domestic liquidity.

The National Government continued to maintain the contractionary posture it had assumed since 1973, again ending the year with an operating surplus of ₱2,568 million in its cash operations. The 21 per cent increase in the government's current surplus over the preceding year's surplus resulted from increased customs collections (due to expanded trade and the imposition of a premium duty on certain exports) as well as from collections of the Bureau of Internal Revenue and other government offices which more than offset operating disbursements, also at higher levels compared to year-previous expendi-

tures. Together with a financial net inflow of ₱562 million, this year's surplus from operations raised the government's cash balances to nearly ₱7 billion by the end of the year, 84 per cent above the previous end-year level.

Notwithstanding the policy stance to contain undue liquidity in certain sectors of the economy, efforts were exerted to redirect credit towards productive sectors of the economy. This meant the monetary authorities' involvement in the national strategy of combatting inflation with higher productivity goals, particularly in the agricultural sector. "Masagana 99" financing thus totalled ₱528 million during the year.

Over-all production indices for agriculture, fishery and logging likewise moved up by 4.1 per cent in crop year 1974, with agricultural output reflecting the largest improvement (nearly 10 per cent) mainly as a result of significant improvements in the production of the country's basic staple cereals and of the responsiveness of the sector to favorable world prices for its export crops. Manufacturing also managed a growth rate of 3.5 per cent, far behind the 12 per cent acceleration in 1973, as it underwent the impact of world-wide inflation, raw material and supply shortages in the domestic economy, as well as an apparent decline in demand especially towards the end of the year. Also a prey to "stagflation" abroad was the mining industry, whose index of production for 1974 suffered a 2.2 per cent setback from the previous year's level. Other indicators reflected varying degrees of response to the twin problems of world inflation and recession, with real estate activity exhibiting value uptrends and construction, electricity production and transportation indices showing evidences of a slump. Even the gross sales index reflected a real decline in sales activity in 1974.

Indicative of the government's incomes policy was its greater emphasis on creating new employment rather than on maintaining the real incomes of those already employed. Thus, total employed persons reached an all-time high of 14.5 million in 1974, exceeding by more than 9 per cent those employed in 1973. All industries covered in the Central Bank's index of employment, except for the transport, storage and communication group, contributed to the employment uptrend. Wage rates and salary earnings were both higher in 1974, although inflation took its toll as manifested by losses in real wage rates of up to 20 per cent.

Inflation was the major disturbing factor in 1974. Steep upward movements on an annual average basis were reflected in the wholesale (54 per cent) and consumer (34 per cent) indices for Manila. These movements were impelled by higher costs of food, high import costs, particularly of oil, and the overhang of the world commodity boom on both export and domestic-consumption goods. Cost-push and demand-pull pressures were evident in the behavior of domestic prices. By mid-1974, however, annual rates of increase began to decelerate, thus al-

lowing the end-of-year annual rates of increase to be somewhat lower than whole-year averages.

Through linkages with the other economies of the world, the Philippines continues to be exposed to adverse world trends. Consequently, the softening of export prices owing to continued recessionary pressures in industrialized countries poses one of the main problems for the economy in the future. Furthermore, the enormous problems arising from inflation and the tremendous rise in the cost of fuel will persist for some time and may later involve difficult choices between growth targets and external balance. Hence, in 1975 and thereafter, greater effort will be required to further strengthen foundations and ensure that the economy operates with the same measure of resiliency and responsiveness to corrective action that it has demonstrated in the past.

B. MONETARY AND CREDIT POLICY

Monetary and credit measures were directed towards containing inflation, the channeling of funds from urban to rural areas to finance rural productive activities; increasing the rate of domestic savings as well as encouraging longer-term placements; selective credit allocation via revisions on the interest rate level and structure; and strengthening both the bank and non-bank sectors of the financial system.

Specifically, some of the new policy measures taken sought to moderate the expansion of liquidity at a rate approximately in step with price increases.

Towards this objective, a net amount of ₱1,466 million or regular (MB Res. No. 43 dated January 11, 1974 and MB Res. No. 1576 dated July 26, 1974) and special (MB Res. No. 1437 dated July 12, 1974) Central Bank Certificates of Indebtedness (CBCIs) were floated in addition to the outstanding CBCIs which amounted to ₱2,540 million as of December 1973.

To accelerate food production, higher maximum loans per hectare for agricultural crops were also set. (Memorandum Circular to all Rural Banks No. 74-17 dated April 18, 1974). Furthermore, Circular Nos. 412 (July 2, 1974) and 427 (August 22, 1974) were issued to ensure that non-bank financial intermediaries engaged in quasi-banking functions followed the required reserve on deposit substitute liabilities and that the minimum size of fund borrowing for the purpose of placement in the money market was not circumvented. This would make more effective the control of the volume of money created by the credit operations of the entire financial system.

Other measures were aimed at broadening the base of loanable funds and domestic capital of the economy with the strengthening of the financial system.

Circular Letter dated October 22, 1974, as amended, dealt with increasing the required minimum paid-up capital of private development banks up to P4 million (for banks located in Class A chartered cities), P3 million (for banks in Class B and C chartered cities), or P2 million (for those located outside the greater Manila Area and other chartered cities) each. This measure was an extension of the policy promoting mergers, consolidations and increased proprietary capitalization of all banks as well as of solidifying the liquidity and solvency position of the banking system. In a related move, the Central Bank issued Circular No. 439 (effective December 1, 1974) which prescribed the minimum capital to asset ratio (8 per cent) of non-bank financial intermediaries.

To encourage longer-term supply of investible funds and to provide a more equitable return to savers, deposit rates on time deposits were raised. Thrift and rural banks were given a one-half percentage point differential above savings and time deposit rates in commercial banks (Circular No. 414 dated July 29, 1974). No administrative ceiling on time deposit rates was imposed for time deposits with a term of over two years. Ceilings on charges other than pure interest were imposed (Circular No. 415 dated July 29, 1974).

Rediscounting facilities of the Central Bank, which formerly had been extended only to commercial and rural banks, were offered to thrift banks to help compensate for the higher costs of interest effected by the new rates on deposits (Circular No. 443 dated December 12, 1974).

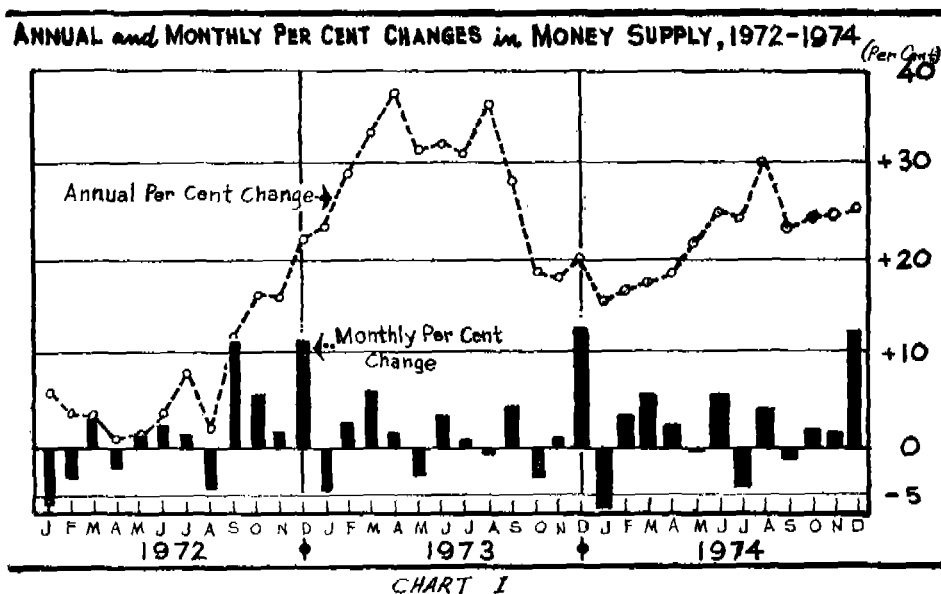
To attract savings and time deposits, Circular No. 419 dated August 15, 1974, allowed banking institutions to adopt, subject to requirements by the Central Bank, any plan, program, benefit or incentive, including raffles and lotteries.

To allocate credit on a selective basis to productive uses and with the aim of increasing agricultural production, Circular No. 408 dated May 31, 1974, required all public and private banking institutions to set aside at least 25 per cent of their loanable funds for agricultural credit purposes. Furthermore, interest and other charges on loans granted for such purpose have been fixed at 12 per cent per annum. Central Bank rediscount rates and commercial and thrift bank lending rates, as well as loan values of eligible credit instruments, have been restructured likewise to favor the financing of rice (especially Masagana 99) production, export activities and small-scale industries listed in the NEDA and BOI/DOI (Circular No. 442 dated December 12, 1974). In contrast, higher rediscount and lending rates were imposed on other economic activities (mentioned in Circular No. 223 dated June 25, 1966) not highly favored.

In the case of rural banks, the rediscounting of supervised loan papers under the 1974 food production program was given the same treatment as in the rediscounting of rice and corn papers (Memorandum Circular to all Rural Banks dated March 26, 1974).

C. MONEY SUPPLY

At the end of 1974, total money stock expanded to ₦10,220.1 million, registering an increase of about 25 per cent from the previous year's level as against the 20 per cent rise in end-1973. On an annual corresponding-month basis, per cent changes in money supply showed a consistent move upwards beyond the 15 per cent mandated benchmark. With respect, however, to monthly movements in money supply, these showed seasonal peaks of 6 per cent (May-June) to 12 per cent (November-December) and troughs of negative 8 per cent (January) to negative 2 per cent (October), changes which were similarly noted in 1973.



Factors Affecting Money Supply Movement

Expansionary factors in money supply were traceable, first to the net surplus in external accounts which pumped in ₦2,389.3 million in 1974 as against ₦4,643.0 million in 1973; and second, to the transactions of the commercial banking system and the Central Bank with the private sector which resulted in a net 85 per cent increase (₦2,446.8 million) in money supply. In contrast, a 22 per cent decline (₦827.6 million) was registered in 1973.

Similarly, credits to the public sector increased, resulting in a positive effect of ₦1,362.5 million on money supply. However, cash and deposit balances of the public sector which rose by 64 per cent in 1974 had an offsetting contractionary effect of ₦2,672.1 million and coupled with increases in net miscellaneous accounts of the Central Bank, drained money supply by about 210 per cent (₦2,768.5

TABLE 1. FACTORS RESPONSIBLE FOR MONEY SUPPLY MOVEMENT
December 31, 1973 and 1974
(Million Pesos)

I t e m	December 1974	December 1973	Increase or Decrease	Net Effect on Money Supply ^{1/}
I. MONEY OF INTERNAL ORIGIN				
A. Public Sector				
1. National Government				
Credits ²	5,665.5 ^a	4,924.9 ^a	740.6	+ 740.6
Less: Cash & Deposit				
Balances	5,858.8	3,797.0	2,061.8	-2,489.2 ^b
Treasury IMF				
Account	- 109.1	- 95.1	- 14.0	+ 14.0
T o t a l	- 84.2	1,223.0	1,307.2	-1,734.6
2. Credits to Local Gov't. and Semi-Gov't. Entities ²	1,974.2	1,352.3	621.9	+ 621.9
Less: Savings & Time				
Deposits	576.3	393.4	182.9	- 182.9
Net Misc. Ac-				
counts of CB ³	2,338.3	865.4	1,472.9	-1,472.9
T o t a l	- 940.4	93.5	-1,033.9	-1,033.9
TOTAL PUBLIC				
SECTOR	-1,024.6	1,316.5	-2,341.1	-2,768.5
B. Private Sector				
Credits	24,179.1	16,422.1	7,757.0	+ 7,757.0
Less: Savings, Time &				
Marginal Depo-				
sits	8,969.3	8,291.8	677.5	- 677.5
Net Misc. Ac-				
counts of KBS ³	9,893.5	5,260.8	4,632.7	-4,632.7
TOTAL PRIVATE				
SECTOR	5,316.3	2,869.5	2,446.8	+ 2,446.8
C. Total Public & Private				
Sectors	4,291.7	4,186.0	105.7	- 321.7
II. MONEY OF EXTERNAL				
ORIGIN				
A. International Reserve	10,043.5	6,774.4	3,269.1	+ 3,696.5 ^b
Less: Compensatory Bor-				
rowings Abroad	1,922.0	985.4	937.5	- 937.5
Use of Fund Credits	509.8	752.7	- 242.9	+ 242.9
Foreign Currency De-				
posits (Circular				
343)	1,086.8	968.7	118.1	- 118.1
CBCI Foreign Cur-				
rency	595.6	101.1	494.5	- 494.5
T o t a l	5,928.4	3,966.5	1,961.9	+ 2,389.3
III. MONEY SUPPLY	10,220.1	8,152.5	2,067.6	+ 2,067.6

SOURCE: Statement of conditions of the Central Bank and the Commercial Banking System.

1/ Plus sign (+) indicates the magnitude of the increase and minus sign (-), the decrease in money supply.

2/ Net of CBCIs held by commercial banks.

3/ Include capital accounts and other liabilities net of other assets.

a/ Includes Treasury Notes against Japanese commodity loan amounting to P855.8 million for December 1974 and P703.1 million for December 1973 but excludes PNB capital notes issued by the National Government as subscription payment amounting to P415.0 million for December 1974 and P140.0 million for December 1973.

b/ Adjusted for National Government expenditures abroad, amounting to P427.4 million.

million). The negative impact for the year 1973 in comparison was 70 per cent (P2,459.5 million).

The current downtrend in world prices of some of the country's export commodities and the high cost of oil and raw material imports restricted the growth of foreign exchange reserves towards the last quarter of 1974. Given these same trends, internally-generated money supply might once again become a major expansionary factor in money stock changes during the succeeding period.

Components

Money supply in the form of currency in circulation amounted to P4,311.1 million while peso deposits subject to check amounted to P5,909.0 million at the end of the year. When calculated as a proportion to total supply, both forms posted the same ratios noted last year: currency in circulation, 42 per cent; demand deposits, 58 per cent. The larger share posted by the latter indicated the more active role of the commercial banking system as compared to that of the Central Bank in money creation.

Liquidity

The country's over-all liquidity position expanded by 34 per cent in 1974 which, however, was lower than the 43 per cent rate recorded in 1973. The liquidity effect of external surpluses was moderated by the build-up in the cash balances of the fiscal sector. Moreover, monetary measures passed in November 1973, particularly the imposition of a 5 per cent reserve against deposit substitutes and the sale of Central Bank Certificates of Indebtedness (CBCIs) supplemented the contractionary fiscal posture.

Money supply registered a share of 40 per cent to total domestic liquidity while savings and time deposits and deposit substitutes followed with a corresponding distribution of 30 per cent each. Although the annual growth of deposit substitutes slackened from 180 per cent in 1973 to 82 per cent in 1974, this rate increase still surpassed by a big margin the growth rates of both money supply and time and savings deposits. This was due chiefly to the relatively higher interest yields on deposit substitutes as against those on savings and time deposits.

D. DOMESTIC CREDITS OF THE MONETARY SYSTEM

Domestic credits outstanding (net of government deposits and interbank transactions) moved up to a level of P26,069 million, of which the Central Bank's share amounted to P2,111 million or 8 per cent and that of the commercial banking system to P23,958 million or 92 per cent. The growth in credits moved from 16 per cent in December 1973 to 37 per cent in December 1974. On an average annual

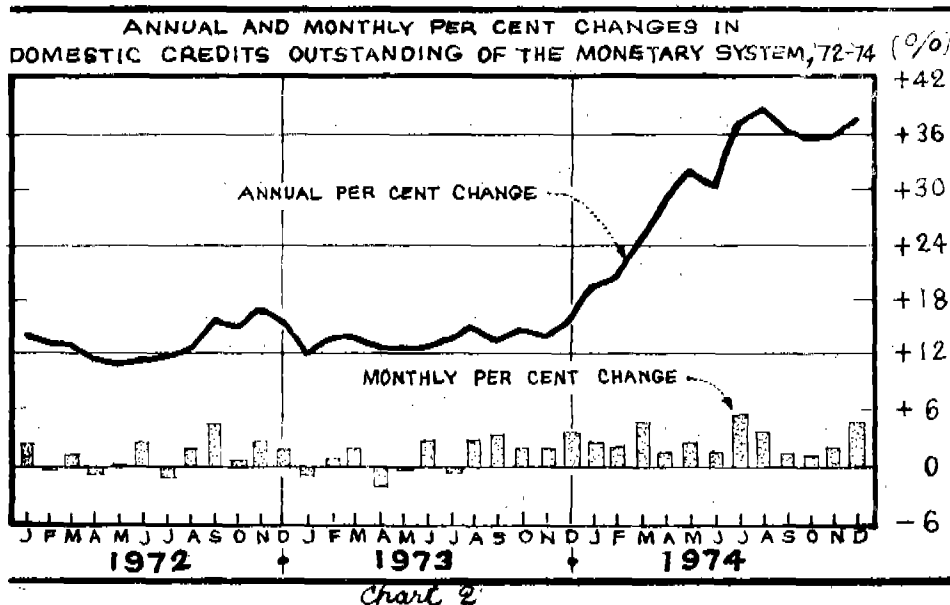
basis, the increase was 31 per cent, the highest observed for the past 25 years.

TABLE 2. DOMESTIC CREDITS OF THE MONETARY SYSTEM
December 31, 1973 and 1974
(Amount in Million Pesos)

Item	1974	1973	Per Cent Distribution	
			1974	1973
TOTAL	26,069	18,998	100.0	100.0
By End-User:				
Public	1,890	2,575	7.2	13.6
Private	24,179	16,423	92.8	86.4
By Source:				
Central Bank	2,111	2,805	8.1	14.8
Commercial Banking System	23,958	16,193	91.9	85.2

SOURCE: Statement of conditions of the Central Bank and the Commercial Banking System.

Mainly responsible for the unprecedented growth in credits, when classified by end-user, were the 47 per cent rise in private domestic credits used to finance higher-priced inputs for additional production and the stepped-up credit flow to the agricultural sector. Heightened demand for credit in 1974 may have been influenced significantly by



rising prices.^{1/}

To some extent, credit growth had been restrained first, by the 27 per cent decline in credits to the public sector, an offshoot of the budgetary surplus realized by the government this year; and second, by the net sale of Central Bank Certificates of Indebtedness (CBCIs) which amounted to ₦1,466 million.

Central Bank^{2/}

Conscious efforts on the part of the monetary authorities to regulate increases in liquidity led to a 25 per cent drop in credits of the Central Bank to reach a total of ₦2,111 million at the end of 1974. Outstanding credits which amounted to ₦2,805 million in 1973 also contracted at a lower rate of 19 per cent from 1972.

The absolute decline of ₦694 million^{2/} in outstanding credits of the Central Bank was accounted for by the ₦1,494 million increase in government deposits which more than neutralized the ₦800 million^{2/} worth of incremental credits in the form of:

(1) loans and discounts (₦217 million)^{3/}

About 99 per cent went to non-deposit rural banks for financing the 1974 Food Production Program (rice, corn, live-stocks and poultry, fisheries and vegetables) and for the implementation of the third Central Bank-International Bank for Reconstruction and Development (CB-IBRD) rural credit project. Almost 1 per cent went to the National Government for subscription payments to various international financial agencies, while a fractional share of 0.2 per cent was allocated for budgetary loans to local governments. Borrowings of semi-government entities recorded a decline of ₦9 million at the end of December 1973-1974. However, their share to total outstanding loans and advances (net of loans to the commercial banking system) in end-1974 was 21 per cent; and

(2) domestic securities (₦583 million) which came mostly from Treasury bonds issued by the National Government.

Commercial Banking System^{4/}

Increased funds for credit operations were made possible by the rapid growth in foreign borrowings and deposit substitutes which compensated for the moderate growth of time and savings deposits and capital accounts as well as the absolute decline in marginal deposits. Additional funds also came from borrowings from the Central

1/ When deflated by the Wholesale Price Index (1965=100), outstanding credits as of December 1972, 1973 and 1974 showed values at ₦9,343 million, ₦8,699 million and ₦7,724 million, respectively. Real domestic credits, therefore, actually decreased from minus .7 per cent in December 1972-1973 to minus 11 per cent in December 1973-1974.

2/ Net of government deposits and loans to the Commercial Banking System.

3/ Net of loans to the commercial banking system.

4/ Net of government deposits and interbank transactions.

Bank. In accordance with national policy to raise production growth rates, the Central Bank offered preferential rediscounting facilities for the Masagana 99 rice production program and for exports. Emergency or special credit accommodations and overdrafts increased at a rapid rate of 325 per cent, reflecting a liquidity demand build-up which started about the middle of the year.

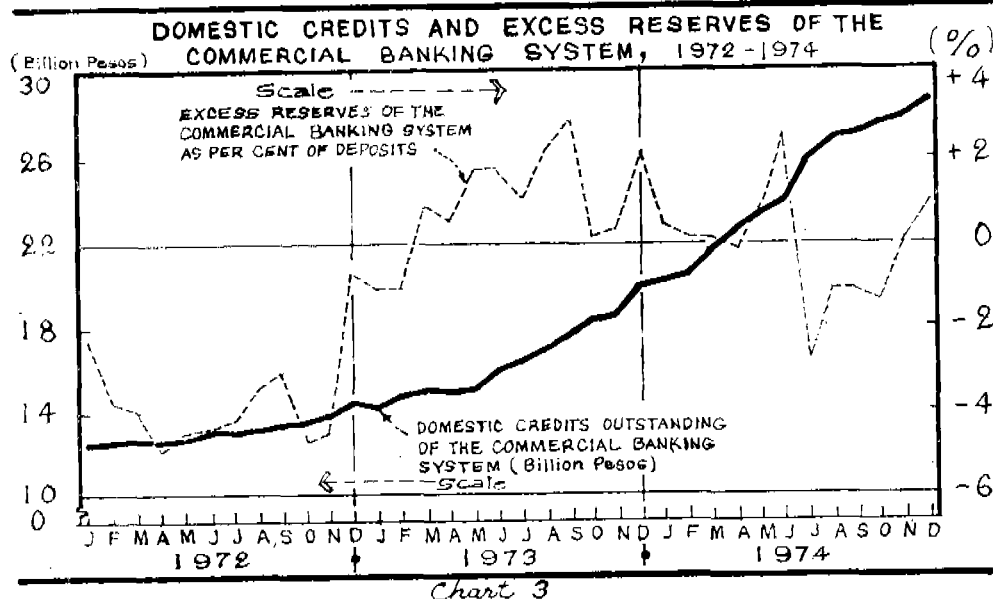
Credit Operations.—Credits outstanding of the commercial banking system on a net basis amounted to ₱23,958 million exceeding last year's ₱16,193 million by 48 per cent compared with the 25 per cent change in December 1972-73.

In absolute amounts, credits grew by ₱7,765 million from year end 1973-1974. Expansionary credit factors arose from:

(1) the increase in loans and discounts by ₱8,298 million^{1/} distributed into 93 per cent for businesses and individuals and 7 per cent for semi-government entities.

(2) the growth by ₱186 million^{2/} in domestic securities-investment of which 99 per cent was purchased by businesses and individuals and 1 per cent by semi-government entities.

Contractionary factors from the (1) decline of ₱151 million^{3/} in purchases of national government securities, (2) increase of ₱568 million in national government deposits, and (3) the rise of ₱43 million in purchases of Central Bank Certificates of Indebtedness (CBCIs) had



1/ Excludes calls loans of commercial banks.

2/ Net of Central Bank Certificates of Indebtedness.

3/ Net of PNB capital notes and bonds.

been more than offset by the absolute increase of P8,781 million in loans and securities (including CBCIs), consequently accounting for the 48 per cent gain in credits outstanding (net of government deposits and interbank transactions) at the end of 1974.

Reserve Position.—Total available reserves against peso time, savings, demand and foreign currency deposits increased by about P349.5 million or 13 per cent on a December-to-December basis in 1974. During the months of April, July, August, September and October, the banking system experienced reserve deficiencies which called for emergency credit accommodations from the Central Bank. At the end of December, available reserves amounted to P3,104.8 million, equivalent to 104 per cent of required reserves (P2,968.4 million) resulting in a lower excess-reserve balance of P136.4 million, in contrast to the end-1973 excess reserves of P265.8 million. Liquidity problems faced by the banking system after the first semester brought about the following changes:

- (1) decelerated growth rates in available reserves, from 52 per cent to 13 per cent; and in potential reserves, from 49 per cent to 18 per cent, in 1973 and 1974, respectively;
- (2) the decline in excess reserves by P129.4 million or 49 per cent at end-1974.

Inclusion of available reserves on deposit substitutes subject to reserve requirements and on marginal deposits against import letters of credit further raised available reserves by P95.7 million in 1974.

Legal reserves aggregated P3,890.3 million. This amount was equivalent to 21 per cent of loanable funds from peso time, savings, foreign currency deposits, deposit substitute and marginal deposits of the commercial banking system.

Commercial Bank Credits to Industries

Credits granted by commercial banks in 1974 (January to September) went up by P24,847.3 million or 78 per cent since the comparable period in 1973. The private sector received the bulk or 97 per cent of total credits, with the remaining 3 per cent absorbed by the public sector. Credits to the private sector rose by 76 per cent, while credits to the public sector (coming largely from the Philippine National Bank) increased at a faster pace of 218 per cent.

Out of total private sector credits amounting to P54,748.1 million, the following industries got large percentage shares: 48 per cent, trade; 26 per cent, manufacturing; 12 per cent, banks and other financial institutions; and 6 per cent, agriculture, fisheries and forestry. Credit flows to those which showed significant increases greater than 100 per cent were to mining and quarrying and in services. Relatively lower increases at 61 to 98 per cent were noted in the following industries: manufacturing, banks and other financial institutions, trade, real estate and agriculture, fisheries and forestry. Allocated credits for personal consumption, other non-productive and speculative uses and for the con-

TABLE 3. TOTAL CREDITS^{1/} GRANTED BY COMMERCIAL BANKS
Classified by Industry
1973 and 1974
(Amount in million pesos)

Industry	January-September		Increase or Decrease(—)	
	1974	1973	Amount	Per Cent
GRAND TOTAL	56,592.4	31,745.1	24,847.3	78.3
Total Private Sector	54,740.1	31,163.6	23,576.5	75.7
Agriculture, Fisheries & Forestry	3,261.2	2,026.8	1,234.4	60.9
Mining & Quarrying	1,253.9	559.9	694.0	124.0
Manufacturing	14,236.8	7,199.8	7,037.0	97.7
Construction	309.3	255.3	54.0	21.2
Public Utility	453.4	710.5	—257.1	—36.2
Services	838.5	412.0	426.5	103.5
Trade	26,240.4	15,317.7	10,922.7	71.3
Banks & Other Financial Institutions	6,332.7	3,496.8	2,835.9	81.1
Real Estate	793.1	469.7	323.4	68.9
Consumption	1,020.8	715.1	305.7	42.7
Total Public Sector	1,852.3	581.5	1,270.8	218.5

1/ Consisting of loans discounts, advances, overdrafts, domestic bills, customers liability acceptances and export bills.

SOURCE OF BASIC DATA: DER Form No. 2.2.2. (data from 1960 to 1967). DER Form No. I-A & I-B (Revised January 1, 1968. Summary Report of Credit transactions submitted by Commercial Banks.

struction industry showed relatively smaller increases while credits to the public utility industry declined.

Commercial bank credits to the public sector amounting to P1,852.3 million went to the national and local governments and government corporations.

E. CREDIT OPERATIONS OF OTHER BANKING INSTITUTIONS

Development Banks

Loans granted by development banks amounted to P854 million, reflecting a 162 per cent increase above those granted in the preceding year. The increase was due mainly to the 261 per cent gain in real estate, the 205 per cent increase in manufacturing loans and the unusually large grants to public utilities involving about P95 million for the purchase of cargo vessels during the latter half of 1974. The bulk of the credits went to manufacturing (32 per cent), agriculture (32 per cent) and public utilities (17 per cent).

Compared with 1973, the Development Bank of the Philippines which accounted for 86 per cent of total loans in this sector, almost tripled its lending during the year. Total loans amounted to P732 million, representing an increase of 194 per cent from those granted a

year earlier. More than half of the total (51 per cent) went to industrial loans, indicating in shift from agriculture which absorbed the biggest share of loans in 1973.

TABLE 4. LOANS GRANTED BY DEVELOPMENT BANKS

Classified by Industry

1973 and 1974

(Amount in Million Pesos)

Industry	1974	1973	% Distribution	
			1974	1973
TOTAL	854.4	326.5	100.0	100.0
Agriculture, Fisheries and Forestry	255.7	160.2	29.9	49.1
Mining and Quarrying	1.7	0.7	0.2	0.2
Manufacturing	269.8	88.5	31.6	27.1
Contract Construction	1.3	1.3	0.2	0.4
Real Estate	165.2	45.8	19.3	14.0
Public Utilities	145.0	11.9	17.0	3.6
Services	7.0	3.7	0.8	1.1
Government	8.7	14.4	1.0	4.4

SOURCE: DBP report of loans approved.

Rural Banks

Total loans extended by rural banks from January to December 1974 amounted to ₱1,825 million, an increase of ₱751 million or 70 per cent over the same period of 1973. Loans granted for agricultural purposes comprised 91 per cent of the total. At ₱1,670 million, they registered an increment of ₱693 million or 71 per cent. Loans extended for commercial purposes expanded by 58 per cent, industrial loans by 61 per cent and loans for other purposes by 83 per cent over the year-ago levels.

TABLE 5. LOANS GRANTED BY RURAL BANKS

Classified by Purpose

1973 and 1974

(Amount in Million Pesos)

Item	1974	1973	Increase or Decrease(—)	
			Amount	Per Cent
TOTAL	1,824.7	1,073.7	751.0	69.9
Agriculture	1,669.5	976.9	692.6	70.9
Commercial	108.9	69.0	39.9	57.8
Industrial	32.6	20.3	12.3	60.6
Others	13.7	7.5	6.2	82.7

SOURCE: Department of Rural Banks and Savings and Loan Associations.

Savings Banks

Credit operations of savings banks from January to September 1974 amounted to P212 million, P120 million or 129 per cent more than in the corresponding period of 1973. Compared to the previous year, loans granted were more diversely distributed. The bulk (P158.3 million) still went to real estate, although its share to total loans granted dropped from 87 per cent in 1973 to 75 per cent in 1974. The balance of 25 per cent or P92 million consisted of loans extended to banks and other financial institutions and for consumption, agriculture, manufacturing, construction, public utility, trade and services.

F. CREDIT OPERATIONS OF OTHER FINANCIAL INSTITUTIONS

Government Non-Bank Financial Institutions

In 1974, government non-bank financial institutions (composed of GSIS, SSS, NIDC and ACA) loaned out a total of P1,528.8 million, reflecting an increase of 44.3 per cent over a year ago. This upturn was the reverse of the 1 per cent downturn from 1972 to 1973. Most of these loans were granted by GSIS and SSS for real estate and consumption purposes. Consumption loans (representing about 52 per cent of the aggregate) rose by 63.7 per cent while real estate loans moved up by 2.7 per cent. Loans for agriculture and industrial purposes increased by 16.5 per cent and 165.5 per cent, respectively. During the year, SSS released P1.1 million for community hospitals and P0.8 million for small and medium scale industries.

TABLE 6. LOANS GRANTED BY NON-BANK FINANCIAL INSTITUTIONS
1973 and 1974
(Amount in Million Pesos)

I t e m	1974	1973	Per Cent Distribution	
			1974	1973
Total	1,528.8	1,059.4	100.0	100.0
Agricultural	64.8	55.6	4.2	5.2
Industrial	7.7	2.9	0.5	0.3
Commercial	—	—	—	—
Public Utility	—	—	—	—
Real Estate	531.4	517.3	34.8	48.8
Consumption	791.7	483.6	51.8	45.7
Others	133.2	—	8.7	—

SOURCES OF BASIC DATA: Agricultural Credit Administration (ACA), Government Service Insurance System (GSIS), Social Security System (SSS), National Investment and Development Corporation (NIDC), Private Development Corporation of the Philippines (PDCP), BANCOM Development Corporation, Mutual Building and Loan Association and Non-Stock Savings and Loan Association.

Private Non-Bank Financial Institutions

Total loans granted by BANCOM and PDCP during 1974 amounted to P3,002.0 million, reflecting an increase of 40.8 per cent over the 1973 figure. About 70 per cent of this amount went to financial institutions (classified under loans for other purposes). Compared to 1973

levels, loans for agricultural and industrial purposes were higher by 97.8 per cent and 78.5 per cent, respectively. Commercial, public utility, real estate and consumption credits were on the uptrend in contrast to the downtrend from 1972 to 1973, indicating the easing of credits for these purposes. The 34.2 per cent or ₱643.5 million increase in loans for other purposes was largely accounted for by credits extended to financial institutions.

TABLE 7. LOANS GRANTED BY BANCOM AND PDCP¹
CLASSIFIED BY PURPOSE
1973 and 1974

(Amount in Million Pesos)

I t e m	1974	1973	Per Cent Distribution	
			1974	1973
T o t a l	3,002.0	2,132.4	100.0	100.0
Agricultural	44.3	22.4	1.5	1.5
Industrial	353.2	197.9	11.8	9.3
Commercial	16.2	10.5	0.5	0.5
Public Utility	39.8	10.6	1.3	0.5
Real Estate	14.6	8.1	0.5	0.4
Consumption	9.4	1.9	0.3	0.1
Others ²	2,524.5	1,881.0	84.1	88.2

1/ Data were revised to include foreign loan accounts.

2/ Loans of BANCOM for other purposes include loans for services and financial institutions.

SOURCES OF BASIC DATA: BANCOM Development Corporation and Private Development Corporation of the Philippines (PDCP).

Most of the loans granted by non-stock savings and loan associations and building societies during 1974 were for consumption purposes. Of the ₱100.5 million total loans extended to members, non-stock savings and loan associations released ₱83.0 million for consumption, ₱9.1 million for real estate, ₱2.7 million for commercial and ₱0.2 million for agricultural purposes. The remaining ₱5.5 million was loaned out by building societies for consumption and real estate purposes. The aggregate of these loans represented a 7.0 per cent increment over the 1973 level.

TABLE 8. LOANS GRANTED BY NON-STOCK SAVINGS AND LOAN
ASSOCIATIONS AND BUILDING AND LOAN ASSOCIATIONS
1973 and 1974

(Amount in Million Pesos)

I t e m	1974	1973	Increase	
			Amount	Per Cent
T o t a l	100.5	93.9	6.6	7.0
Non-Stock Savings & Loan Associations	95.0	90.0	5.5	5.6
Building & Loan Associations	5.5	3.9	1.6	41.0

SOURCE OF BASIC DATA: Department of Rural Banks and Savings Loan Associations and Department of Commercial and Savings Banks.

Stock Savings and Loan Associations

Loans granted by stock savings and loan associations stood higher by 48 per cent than those of 1973. Of the total P222 million granted in 1974, 47.3 per cent went to commercial loans and 20.3 per cent to consumption loans. The rest were absorbed by real estate (18.4 per cent), agriculture (13.1 per cent) and industrial (0.9 per cent) loans.

TABLE 9. LOANS GRANTED BY STOCK SAVINGS & LOAN ASSOCIATIONS
Classified by Purpose
1973 and 1974
(Amount in Million)

I t e m	1974	1973	Change	
			Amount	Per Cent
TOTAL	222.1	149.7	72.4	48.4
Consumption	45.1	31.8	13.3	41.8
Real Estate	40.8	39.7	1.1	2.8
Industrial	2.0	4.7	-2.7	-57.4
Commercial	105.2	65.1	40.1	61.6
Agricultural	29.0	8.4	20.6	245.2

Source of Basic Data: Department of Rural Banks & Savings and Loan Association.

G. CAPITAL AND MONEY MARKETS

Capital Market

Numerous investment incentives granted to investors accelerated the pace of capital formation. Paid-in capital of 49,686 newly-registered business firms in 1974 aggregating P1,673.7 million exceeded 1973 investments by 70.2 per cent. Of this total, corporate investors raised 53 per cent while single proprietors invested 40 per cent. The remaining 7 per cent came from business partners.

By nationality, Filipinos contributed P1,526.2 million (comprising 91.2 per cent of total paid-in capital). The Chinese, Americans and other nationalities invested P147.5 million.

The new paid-in capital contributions were funneled to the following industry groups: wholesale and retail, P429.9 million; manufacturing, P309.4 million; real estate, P201.6 million; banks and other financial institutions, P188.2 million; recreation and personal services, P147.3 million; forestry, fishing and livestock, P127.9 million; community and business services, P107.7 million; transportation, storage and communication, P85.9 million; agriculture, P42.6 million; mining and quarrying, P25.7 million; electricity, gas and water services, P5.4 million; and insurance, P2.1 million. As against 1973 levels, increments of capital inflows to these industry groups ranged from P0.9 million (in insurance) to P148.3 million (in manufacturing).

TABLE 10. CAPITAL INVESTMENTS
By Type of Business Organization
1973 and 1974

(Amount in Million Pesos)

Item	1974	1973	Increase	
			Amount	Per Cent
Total Paid-in Capital	1,673.7	983.6	690.1	70.2
Corporations	888.1	370.3	517.8	139.8
Partnerships	116.4	113.2	3.2	2.8
Single Proprietorships	669.2	500.1	169.1	33.8

Source of Basic Data: Bureau of Commerce and Securities and Exchange Commission.

During 1974, the volume of transactions in the Manila Stock Exchange declined compared to 1973 trading activities. Number and value of shares traded dropped by 6.3 per cent and 24.0 per cent, respectively. Mainly responsible for the decrements was the reduced interest in oil shares, resulting in lower prices and smaller volumes. The average share price of commercial and industrial issues was ₱1.21. Oil shares registered an average of ₱.01387 while mining issues averaged ₱.03954.

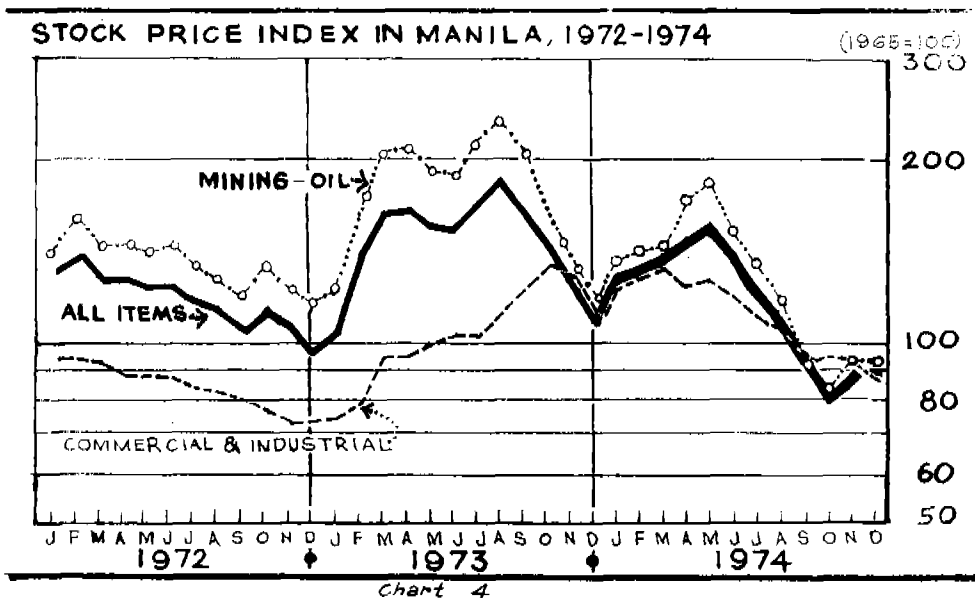
TABLE 11. STOCK TRANSACTIONS
(Manila)
1973 and 1974

Item	1974	1973
Shares (Million)	81,577	87,102
Commercial & Industrial	188	30
O i l	26,310	39,893
Mining	55,079	47,179
Value (₱ Million)	2,770	3,643
Commercial & Industrial	227	220
O i l	365	658
Mining	2,178	2,765

Source of Basic Data: Manila Stock Exchange

The over-all stock price index in 1974 started at 134.4 (1965 = 100) in January, hit a peak of 165.8 in May and closed at 90.7 in December. The year's average was 125.1. The commercial and industrial index opened at 126.9 (1965 = 100) but ended at 87.6, averaging 115.4. The mining index, with an annual average of 132.4 (1965 = 100), began at 141.7, climbed to 185.8 in May but dipped to 93.2 by December. Indices of banks and insurance remained relatively steady. The price in-

dex of sugar, which averaged 60.3 (1965 = 100), commenced at 49.9 in January and closed at 61.3 in December.



Money Market

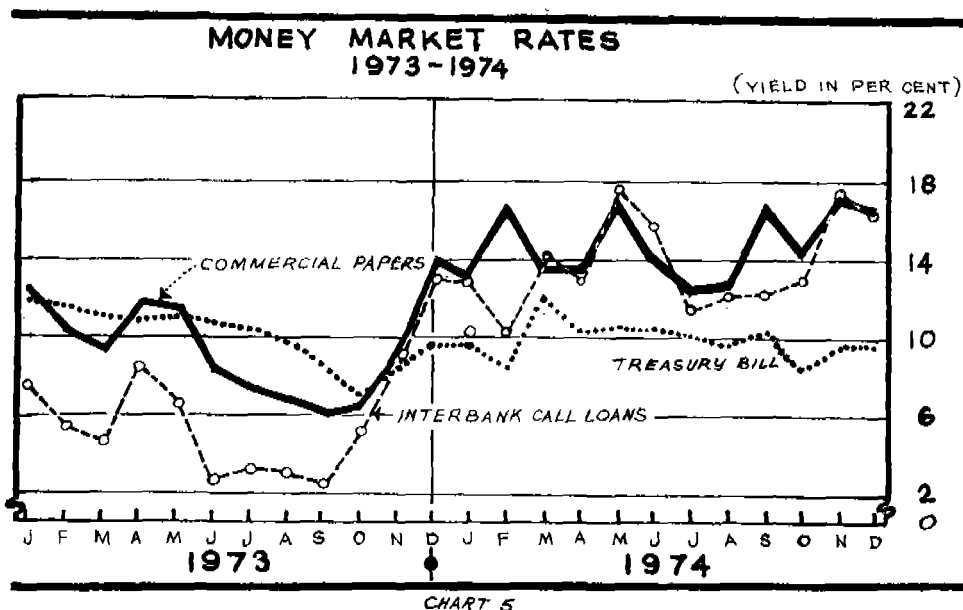
Money market transactions (covering interbank call loans, bankers acceptances, repurchase agreements, pro-notes, commercial papers and other money market instruments) from January to December 1974 totalled ₱137,187 million. Money market rates generally exhibited higher levels and wider fluctuations compared to 1973. Daily rates during the year ranged from 1 per cent to 46 per cent. Weighted average rates, however, fluctuated from 10.26 to 20.86 per cent.

During 1974, interbank call loans amounted to ₱30,218 million, greater by 42.4 per cent over the 1973 volume of ₱21,216 million. Interbank call rates started at 13.135 per cent in January, moved up to a peak of 17.971 per cent in May, and finally closed at 16.531 per cent in December, registering an annual weighted average of 13.967 per cent. This average was 8.070 percentage points higher than in 1973. Daily rates hit a low of 1.5 per cent and a high of 46 per cent.

Transactions in the bankers acceptances, repurchase agreements and pro-notes group amounting to ₱103,164 million (or 75 per cent of total money market transactions) registered a weighted average rate of 16.401 per cent from January to December. Daily rates ranged from 1 per cent to 45 per cent.

Recorded transactions for prime commercial papers in 1974 at an average rate of 14.512 per cent totalled ₱2,965 million. The rate was higher than the 1973 average by 5.064 percentage points. Daily rates ranged from 3 to 36 per cent.

Rates of other money market instruments opened at 11.114 per cent in January and closed at a peak of 15.587 per cent in December. The weighted average for the year was 13.351 per cent. Transactions during 1974 amounted to ₱840 million.



H. PUBLIC FINANCE

Cash Operations of the National Government

The National Government realized a surplus of ₱2,568 million from its current transactions during the whole year of 1974, representing a ₱448 million or 21 per cent increase over the year-earlier figure. This resulted from the considerably higher base level of operating receipts in 1973 which more than offset the effect of the higher annual growth rate of current disbursements.

Current receipts during the period reached ₱17,722 million, an increase of ₱6,628 million or 60 per cent. Customs collections at ₱6,603 million were the biggest single source of government income. The increased customs receipts reflected not only the efficiency of the collection machinery but also the expansion of trade transactions during the year and the imposition of the premium duty on some export products. Additional cash inflows originated from collections of the Bureau of Internal Revenue (₱6,031 million) and of the other government offices (₱5,089 million).

Operating disbursements, on the other hand, amounted to ₱15,154 million, an increase of ₱6,180 million or 69 per cent. Current operations ate up ₱14,648 million, an increase of 69 per cent, reflecting the

expansion of government services, socio-economic development programs and rising costs. Interest payments of P506 million, 72 per cent above the 1973 level, also contributed to the increased expenditures during the current period.

Meanwhile, financial transactions of the National Government for the whole year of 1974 resulted in net borrowings which amounted to P562 million or 61 per cent above the year-earlier level.

Loan availments, totalling P6,667 million, rose by P1,483 million or 29 per cent. The increase was due largely to the flotations of Treasury bills (P3,597 million), Treasury bonds (P1,633 million) and Treasury notes (P711 million).

Total debt redemptions, on the other hand, reached P6,104 million, an increment of P1,269 million or 26 per cent. The bulk of these repayments was utilized to retire Treasury bills (P3,570 million), domestic guaranteed loans (P1,216 million) and Treasury notes (P651 million).

The operating surplus of P2,568 million and the net borrowing of P562 million both contributed to the build-up of the National Government cash balance which reached P6,843 million, P3,130 million or 84 per cent above the previous year level. The net cash inflow was reflected in the increased claims of the National Government on its depositories:

<u>Depository</u>	<u>Amount</u> <u>(Million Pesos)</u>
TOTAL	3,130.7
Treasury Vault	22.8
Central Bank	1,681.7
Philippine National Bank	403.0
Development Bank of the Philippines	585.4
Philippine Veterans Bank	181.3
Land Bank of the Philippines	252.8
Other Banks	3.7
Treasury Field Cashiers	—

Internal Public Debt

As of end-1974, internal public debt outstanding reached P17,317 million, 38 per cent above the end-1973 level. The P4,783 million increment to the obligations of the public sector resulted from additional borrowings (P11,683 million) outpacing debt retirement (P6,900 million) during the year under review.

Government monetary institutions accounted for the major share (64 per cent) of the annual increase in domestic public debt outstanding. Obligations of the Central Bank and the Philippine National Bank rose by P3,050 million or 97 per cent, to reach P6,188 million by end-

TABLE 12. AGGREGATE CASH OPERATIONS OF THE NATIONAL
GOVERNMENT, ALL FUNDS
1973 and 1974

(In Million Pesos)

I t e m	1974	1973
A. Current Transactions:		
Operating Receipts	17,722.3	11,094.5
Bureau of Internal Revenue	6,030.5	4,928.5
Customs	6,603.1	3,089.7
Stabilization Tax	—	215.6
Others (net of non-income receipts)	5,088.7	2,860.7
Disbursements	15,154.0	8,973.7
Operating	14,647.9	8,678.7
Interest Payments	506.1	295.0
Surplus/Deficit	2,568.3	2,120.8
B. Financial Transactions	562.4	348.8
1. Debt Redemptions:	6,104.3	4,835.0
Sinking Fund Contributions	126.2	77.0
Treasury Bills	3,570.2	2,986.6
Treasury Notes	650.6	275.0
CB Overdraft Line	—	400.0
Domestic Guaranteed Loans	1,216.2	914.7
Other Government Securities	442.5	57.7
Foreign Loans	98.6	124.0
2. Borrowings:	6,666.7	5,183.8
Treasury Bills	3,597.3	2,702.3
Treasury Notes	710.7	819.2
Treasury Bonds	1,632.5	1,018.9
Other Government Securities	337.1	314.6
CB Overdraft Line	—	—
Foreign Loans	389.1	328.8
C. Net Cash Transactions	3,130.7	2,469.6
D. Status of Cash Balance:		
Beginning, January 1	3,712.0	1,242.4
Ending, December 31	6,842.7	3,712.0
Change in Status	3,130.7	2,469.6

Source of Basic Data: Bureau of the Treasury.

1974. Additional issues of CBCIs and PNB loan availments (P4,969 million) far exceeded redemptions/repayments (P1,919 million) during the year. The outcome was an increase of the monetary institutions' share of total internal public debt outstanding from 25 per cent at end-1973 to 36 per cent by end-1974.

National Government debt outstanding, comprising 55 per cent of the total, reached P9,507 million or 30 per cent above the level obtaining a year earlier. Loans (P6,419 million) were availed of principally through the flotation of Treasury bills (P3,586 million), Treasury bonds, (P1,645 million), Treasury notes (P699 million), Philippine Treasury bonds (P112 million), and the newly-issued Premyo Savings Bonds (P77

million). Redemptions, in comparison, aggregated P4,206 million, the bulk of which went to retire Treasury bills (P3,405 million) and Treasury notes (P615 million).

Domestic debt outstanding of local governments (P108 million) rose by 12 per cent due mainly to increased availments of budgetary, DBP and GSIS loans. On the other hand, internal debt outstanding of government corporations, both guaranteed (P1,257 million) and non-guaranteed (P257 million) by the National Government, decreased by 19 per cent and 42 per cent, respectively. This chiefly resulted from both the redemption of NAWASA bonds, DBP bonds payable and DBP progress bonds and the retirement of DBP and ACA (ACCFA) loans from the Central Bank.

External Public Debt

The public sector ended 1974 with external debt outstanding of \$1,460 million, an increase of 19 per cent over the \$1,225 million recorded the previous year. Obligations incurred during the year (\$523 million) were bigger than repayments (\$288 million), resulting in a net loan availment of \$235 million.

A large portion of the incremental foreign debt (67 per cent) was negotiated by government monetary institutions, whose external debt outstanding reached \$679 million by end-December, an annual increase of 30 per cent. Their net availment of \$158 million was mainly accounted for by increases in the balances of the U.S. commercial banks, RP Commodity Loan and ADB accounts. This development raised the Central Bank and the Philippine National Bank share of total external debt outstanding from 43 per cent (1973) to 47 per cent by end-1974.

TABLE 13. PUBLIC DEBT OUTSTANDING
December 31, 1973 and 1974
(In Millions)

I t e m	1974	1973
Internal Debt (P)	17,316.6	12,533.5
National Government	9,507.3	7,294.2
Local Governments	107.6	96.3
Government Corporations (Guaranteed)	1,257.0	1,559.0
Government Corporations (Not-guaranteed)	257.0	445.8
Monetary Institutions	6,187.7	3,138.2
External Debt (\$)	1,459.7	1,224.9
National Government	521.1	465.5
Local Governments	0.1	0.2
Government Corporations	259.7	238.1
Monetary Institutions	678.8	521.1

Source of Basic Data: DBP, NPC, PNB and other operating department of the Central Bank.

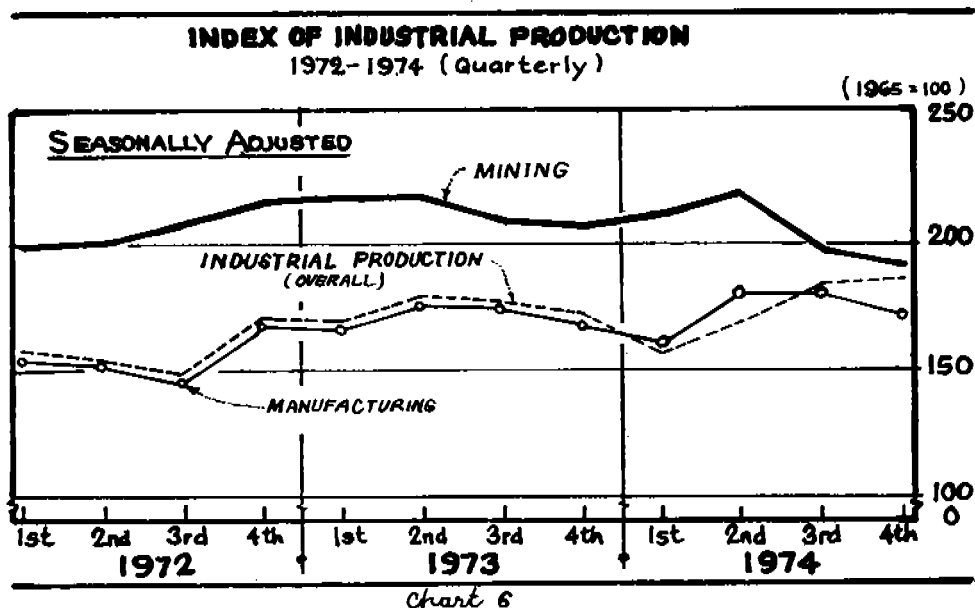
Foreign debt outstanding of the National Government likewise rose, from \$466 million in 1973 to \$521 million by end-1974, an increase of \$55 million or 19 per cent. This was the outcome principally of net availments from various private suppliers, the IBRD, ADB and the government of Japan.

Net additional availments of \$22 million raised the level of foreign debts outstanding of government corporations to \$260 million. This occurred despite partial repayment of MWSS and NHC loans on account of bigger net borrowing by the Development Bank of the Philippines and the National Power Corporation.

In comparison, the balance of local governments' outstanding indebtedness decreased to \$124 thousand as of end-1974 due to the loan repayment of \$94 thousand.

I. PRODUCTION

Based on preliminary Central Bank data, the main sectors of the economy exhibited uptrends in production during 1974. Compared to year-ago levels, agriculture showed a pronounced gain of 4.1 per cent, while manufacturing output improved further by about 1 per cent. On the other hand, mining production was lower by 2.2 per cent.



Agriculture

Due mainly to intensified government programs aimed at increasing food production, the over-all production index for agriculture, fishery, forestry and logging moved up by 4.1 per cent in crop year 1974 exceeding the 2.6 per cent gain achieved in crop year 1973. Output of

TABLE 14. AGRICULTURAL PRODUCTION
Crop year¹ 1972-1974

(Thousand metric tons)

I t e m	1972	1973	1974 ^c	Per Cent Change	
				1973	1974
Agricultural Crops					
Palay (rough rice)	5,100.1	4,414.6	5,594.1	-13.4	26.7
Corn (shelled)	2,012.6	1,831.1	2,288.7	- 9.0	25.0
Fruits & nuts except pineapple & citrus	1,456.4	1,510.0	1,573.4	3.7	4.2
Coconut:					
Copra	1,703.0	1,698.4	1,528.6	- 0.3	-10.0
Coconut oil ²	636.3	620.2	601.6	- 2.5	- 3.0
Desiccated coconut	110.4	98.8	86.0	-10.5	-13.0
Copra meal or cake ²	386.8	289.5	271.2	-25.2	- 6.3
Sugar	1,869.9	2,304.7	2,507.6	23.2	8.8
Centrifugal	1,815.2	2,244.9	2,444.8	23.7	8.9
Muscovado	54.7	59.8	62.8	9.3	5.0
Abaca	110.1	119.2	125.2	8.3	5.0
Tobacco	56.3	64.8	69.9	15.1	7.9
Virginia	20.5	21.1	21.8	2.9	3.3
Native	35.8	43.7	48.1	22.1	10.0
Agricultural crops, n.e.c.					
Rootcrops, including pota- toes, camote & cassava	1,242.3	1,243.4	1,268.3	0.1	2.0
Pineapple	282.1	293.4	308.1	4.0	5.0
Citrus	65.5	63.8	65.1	- 2.6	2.0
Coffee and cacao	55.1	54.5	55.1	- 1.1	1.1
Beans and vegetables	323.6	366.2	384.5	13.2	5.0
Other crops	115.8	143.0	164.4	23.5	15.0
Livestock and Poultry ² :					
Livestock (thousand heads)	15,469.0	16,911.0	17,830.0	9.3	5.4
Poultry (thousand heads)	52,703.0	52,871.0	51,163.0	0.3	- 3.2
Logs (million board feet)	3,577.3	3,811.9	2,959.2	6.6	-22.4
Fish ²	1,122.4	1,204.8	1,277.5	7.4	6.0

SOURCES OF BASIC DATA: Bureau of Agricultural Economics, Bureau of Forest Development, Philippine Fisheries Commission and Sugar Quota Administration.

1/ Crop year (July 1-June 30).

2/ Calendar year.

agricultural crops showed the biggest improvement of nearly 10 per cent, in contrast to the slump observed a year ago. Greater availability of funds for agricultural activities supported with the necessary inputs, credit and technical supervision, especially for food production, largely contributed to this uptrend.

Significant improvements in the production of the country's main staples (rice and corn) were observed during the period. Rice paddy (palay) was up 26.7 per cent to 5,594.1 thousand metric tons and corn, by 25.0 per cent to 2,288.7 thousand metric tons as against the cor-

responding cutbacks of 13.4 per cent and 9.0 per cent in 1973. Harvest of fruits & nuts and other agricultural crops also increased by 4.2 per cent and 8.4 per cent, respectively. In response to favorable prices

PRODUCTION OF MAJOR AGRICULTURAL PRODUCTS, Crop Years 1972-74

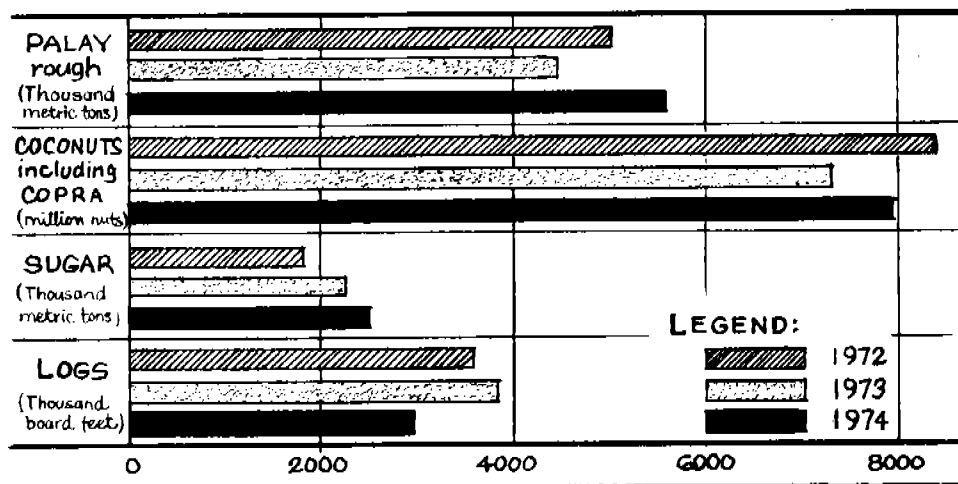


Chart 7

in world markets, export crops like sugar cane, abaca and tobacco registered corresponding gains of 8.8 per cent, 5.0 per cent and 7.9 per cent. However, coconut including copra failed to recover from the effects of adverse weather as total output of nuts dropped by 2.0 per cent during crop year 1974. Likewise, forestry and logging registered big decreases due mainly to the log export phase-out program.

Following the observed uptrend in food crops, fishery and livestock & poultry posted advances although at smaller rates of 6.0 per cent and 3.7 per cent compared to a year ago.

Manufacturing

On the basis of net value added data prepared by the NEDA, the performance of the manufacturing sector during 1974 indicated a growth rate of 3.5 per cent as compared to the 12 per cent obtained in 1973. In terms of gross output measured by the Central Bank's production index, the projected increase during the period, based on eleven months data, was a slight 0.8 per cent as against 11 per cent registered a year ago.

The over-all slowdown in production activity of domestic manufactures may be attributed chiefly to the impact of worldwide inflation, shortages of raw materials, high inventory levels and the multiple increases in crude oil prices.

TABLE 15. INDEX OF THE PHYSICAL VOLUME OF
MANUFACTURING PRODUCTION
1972-1974

(1965=100)

I n d u s t r y	1972	1973	1974 ^a	Per Cent Change	
				1973	1974
MANUFACTURING	153.6	170.5	171.8	11.0	0.8
Food Manufacturing Industries, Except Beverage Industries	137.4	160.8	185.4	17.0	15.3
Beverage Industries	227.8	221.2	214.2	- 2.9	- 3.2
Tobacco Manufactures	212.5	183.4	172.8	-13.7	- 5.8
Manufacture of Textiles	131.2	134.0	120.2	2.1	-10.3
Manufacture of Footwear, Other Wearing Apparel and Made-up Textile Goods	158.4	199.4	190.4	25.9	- 4.5
Manufacture of Wood and Cork, Except Manufacture of Furniture	152.6	92.3	71.9	-39.5	-22.1
Manufacture of Furniture and Fixtures	242.9	207.2	222.8	-14.7	7.5
Manufacture of Paper and Pa- per Products	161.0	112.9	128.4	-29.9	13.7
Printing, Publishing and Allied Industries	568.0	740.0	551.8	30.3	-25.4
Manufacture of Leather and Leather & Fur Products Except Footwear and Other Wearing Apparel	77.2	75.8	59.1	- 1.8	-22.0
Manufacture of Rubber Pro- ducts	108.6	132.8	108.7	22.3	-18.2
Manufacture of Chemical and Chemical Products	164.8	144.2	126.0	-12.5	-12.6
Manufacture of Products of Petroleum and Coal	166.0	172.1	142.4	3.7	-17.3
Manufacture of Non-metallic Mineral Products, Except Products of Petroleum and Coal	96.3	127.9	128.8	32.8	0.7
Basic Metal Industries	195.0	485.7	491.0	149.1	1.1
Manufacture of Metal Pro- ducts, Except Machinery and Transport Equipment	136.8	149.1	172.4	9.0	15.6
Manufacture of Machinery, Ex- cept Electrical	116.0	126.2	183.9	8.8	45.7
Manufacture of Electrical Machinery, Apparatus, Appliances and Supplies	77.0	82.7	74.8	7.4	- 9.6
Manufacture of Transport Equipment	203.9	188.3	172.3	- 7.7	- 8.5
Miscellaneous Manufacturing Industries	264.1	307.6	239.0	16.5	-22.3

SOURCE OF BASIC DATA: Sample firms.

Based on the Central Bank index, among the significant industries which suffered sharp cutbacks in output during the period were wood and cork (22.1 per cent), textiles (10.3 per cent), and chemicals (12.6 per cent). On the other hand, marked increases were evident in the machinery, except electrical group, 45.7 per cent; metal products, 15.6 per cent; food, except beverage, 15.3 per cent; paper & paper products, 13.7 per cent; and furniture & fixtures, 7.5 per cent.

Mining

The preliminary index of mining production for 1974 registered a 2.2 per cent decline from the previous year's level. Except for copper, which sustained a growth rate of 1.7 per cent or half the increment obtained in 1973, output of all other metallic minerals including coal fell off, from 5 per cent (coal) to 30 per cent (iron ore); gold production dropped by 6.5 per cent.

The weak performance of the mining sector during the period may be attributed mainly to cutbacks in copper imports from the major market, Japan, and depressed world prices for all metals. Being highly dependent on oil, the industry likewise suffered from hiked costs of operation and acquisition of new equipment and spare parts.

On the other hand, stepped-up infrastructure activities influenced the improvement shown in stone quarrying and other non-metallic mining groups, which registered increases of 7.3 per cent and 4.6 per cent, respectively.

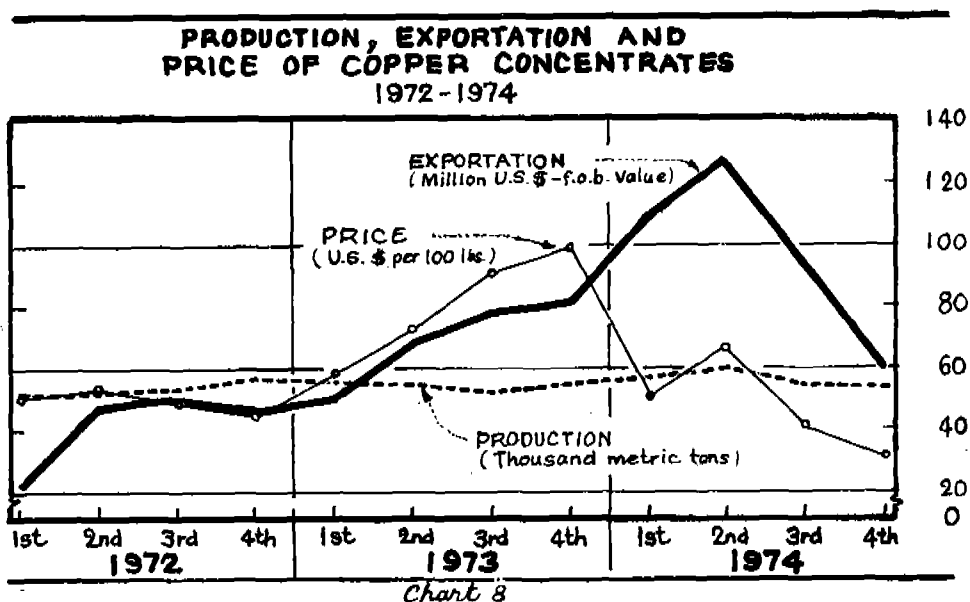


TABLE 16. — INDEX OF THE PHYSICAL VOLUME OF MINING PRODUCTION
1972-1974
(1965=100)

I t e m	1972	1973	1974 ^{e/}	Per Cent Change	
				1973	1974
OVER-ALL	229.5	238.6	233.4	4.0	— 2.2
Coal mining	41.1	41.2	39.2	0.2	— 4.9
Iron ore mining	153.4	156.8	110.5	2.2	—29.5
Chromium ore mining	63.0	104.6	94.3	66.0	— 9.9
Copper mining	340.6	352.6	358.4	3.5	1.7
Gold mining	138.7	130.8	122.3	— 5.7	— 6.5
Other metal mining, n.e.c.	110.7	103.9	76.0	— 6.1	—26.8
Manganese mining	4.8	7.7	1.7	60.4	—78.0
Mercury mining	140.1	90.6	1.2	—35.3	—98.7
Silver mining	197.8	202.5	183.0	2.4	— 9.6
Zinc mining	223.5	260.7	277.5	16.6	6.4
Others	—	—	—	—	—
Lead	—	—	—	—	—
Molybdenum	—	—	—	—	—
Stone Quarrying	311.1	333.0	357.4	7.0	7.3
Gravel & sand	422.3	429.2	450.7	1.6	5.0
Adobe	117.0	115.6	119.0	— 1.2	2.9
Unfinished marble	1,688.1	3,725.5	4,563.8	120.7	22.5
Limestone	213.6	241.2	265.3	12.9	10.0
Other non-metallic mining & quarrying, n.e.c.	94.2	96.7	101.1	2.6	4.6
Salt	97.5	97.7	100.6	0.2	3.0
Mining of chemical and fertilizer materials	43.5	85.3	114.4	96.1	34.1
Guano	60.4	0.3	0.27	—99.5	—10.0
Gypsum	43.6	88.4	118.5	102.8	34.0
Sulphur mining	20.8	—	—	—	—
Mining & quarrying of other industrial materials, n.e.c.	—	—	—	—	—
Asbestos mining	—	—	—	—	—

SOURCE OF BASIC DATA: Bureau of Mines.

Electricity

In 1974, total electric power generated by the Manila Electric Company dropped by 2.4 per cent to 6,290.5 million kilowatt-hours in marked contrast to the 15.5 per cent increase registered in 1973. This partly reflected the various conservation measures adopted by all consuming sectors. Volume-wise, total sales of electricity also declined by 1.9 per cent from 5,567 million KWH in 1973 to 5,459 million KWH in 1974.

Except for the industry sector which increased consumption by 2.5 per cent or about a fifth of the increment registered in 1973, sales to all other sectors were lower during the period. In value terms, total sales amounted to ₱1,328.4 million inclusive of the fuel adjustment costs of ₱41.1 thousand, exceeding the previous year's level by 127.3 per cent. The biggest sales during the period were made to industrial, franchise and commercial sectors which picked up by 175.0 per cent, 173.7 per cent and 125.3 per cent, respectively from their comparable levels in 1973.

Transportation

International shipping activity in the Port of Manila displayed a sluggish trend during 1974. The number of inward vessels totalled 2,227 or 2.9 per cent below the 1973 level while the corresponding net tonnage of 8,707,449 metric tons showed a drop of 13.6 per cent. Similarly, outgoing bottoms numbering 2,266 with a corresponding total tonnage of 8,893,431 metric tons fell off by 2.0 per cent in number and 10.5 per cent in tonnage.

Operations of the Philippine National Railways expanded significantly during the first nine months of 1974 due mainly to improved facilities and services. The number of passengers carried reached 6,048 thousands or 32.6 per cent above the previous year level. In terms of income, receipts from paying passengers rose from ₱24.8 million to ₱35.4 million or an increment of 42.5 per cent, compared to the 28 per cent recorded in the same period last year. Similarly, net tonnage of cargoes loaded went up by 39 per cent to 337.3 thousand metric tons, followed by a 95.2 per cent increase in corresponding gross receipts amounting to ₱12.5 million.

Real Estate

Real estate activity in Manila and in the surrounding cities of Quezon, Pasay and Caloocan exhibited value uptrends in 1974. Total sales transactions amounted to ₱521.4 million or an increase of 31.6 per cent above the previous year level. This marked improvement more than offset the slump (1.8 per cent) noted in 1973. Volume-wise however, aggregate sales dropped by less than 1 per cent. The increase in prices of construction materials as well as the upward revision of real estate valuation may have dampened somewhat speculative transactions during the period.

On the other hand, with the increase of 12.5 per cent in the number of consummated mortgage contracts, the corresponding aggregate loan value of ₱706.9 million rose sharply by 22.3 per cent, thus exceeding the 18.8 per cent gain obtained in 1973.

Construction

On the basis of approved building permits in 1974, private building construction activity in Manila, suburbs and chartered cities mani-

tested a slump (19.8 per cent) in the number of permits issued as compared to the 5.1 per cent expansion observed in 1973. The corresponding value, however, reached P964.1 million, an increase of 59.1 per cent or nearly 4 times the gain obtained in the preceding year.

Permit valuation in Manila and suburbs, which altogether accounted for 68 per cent of the aggregate value, went up considerably by 129.9 per cent and 42.4 per cent, while those of other chartered cities increased by 58.4 per cent.

Total permit valuation for the residential and non-residential categories advanced by 18.0 per cent and 99.7 per cent, respectively, notwithstanding the reduction in the number of approved permits. Shortages and high cost of construction materials largely accounted for the slackened volume of building activity during the period.

J. EMPLOYMENT AND GROSS SALES

Employment

Based on sample surveys conducted by the National Census and Statistics Office, the total number of employed persons soared to an all-time peak of 14.5 million in May 1974 from 13.3 million in May 1973, a marked increase of 1.2 million or 9.2 per cent. However, since the total labor force went up by 1.3 million, the number of unemployed rose slightly from 4.5 per cent of total labor force in 1973 to 4.8 per cent in 1974.

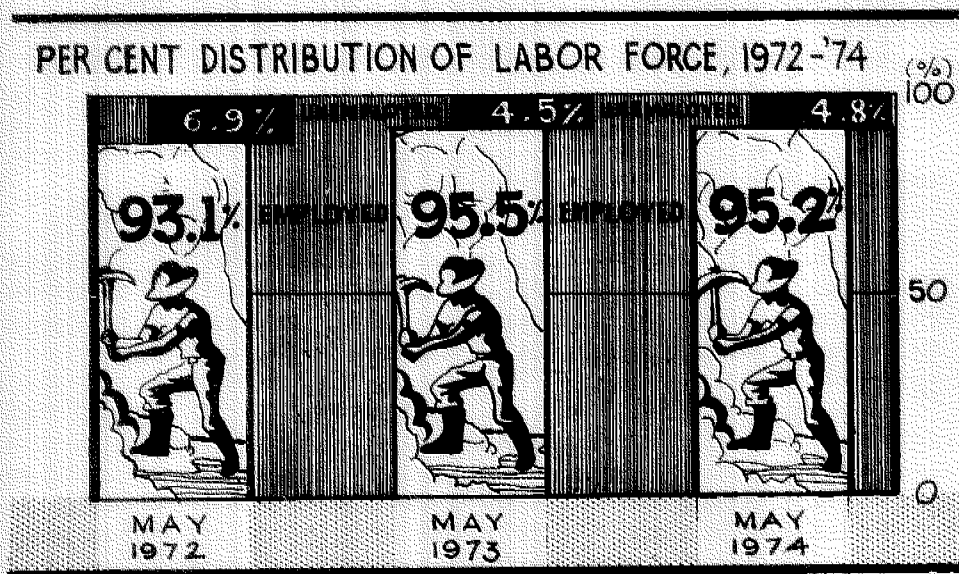


Chart 9

TABLE 17. PERSONS IN THE LABOR FORCE
By Employment Status
1972-1974
(Thousands)

Labor Force Status	May 1972	May 1973	May 1974
LABOR FORCE	14,200	13,886	15,204
Employed	13,217	13,262	14,479
By Industry:			
Agriculture, forestry, hunting and fishing	7,166	7,016	8,245
Mining and quarrying	58	62	44
Construction	456	522	403
Manufacturing	1,467	1,418	1,508
Electricity, gas, water and sanitary services	40	37	44
Commerce	1,674	1,660	1,613
Transport, storage and communication	479	505	518
Government, community, business and recreational services	1,059	1,087	1,132
Domestic services	562	670	651
Personal services other than domestic	237	255	302
Industry not reported	20	29	19
Unemployed	983	624	725
AS PER CENT OF LABOR FORCE:			
Employed	93.1	95.5	95.2
Unemployed	6.9	4.5	4.8

Source: National Census and Statistics Office.

Similarly, the Central Bank's employment index for the whole year 1974, based on a sample of 536 corporations, showed an increment of 4.6 per cent over the previous year's level. The rate of growth in 1973, however, was higher at 7.4 per cent.

All industries covered except for the transport, storage and communication group, which suffered a fractional cut-back of 0.5 per cent, contributed to the uptrend in employment. The commercial sector exhibited the biggest increase of 8.5 per cent, more than offsetting the 1.1 per cent loss registered in 1973; this reflected the marked improvement observed in the corresponding gross sales of business establishments during the period. After recovering from the long slump which started in 1970, accelerated infrastructure activities boosted the work force of the construction industry by 3.9 per cent during 1974. Like-

wise, public utilities gained by 6.6 per cent. All other industries added more workers to their payrolls: services (5.9 per cent); manufacturing (5.3 per cent); agriculture (2.2 per cent) and mining and quarrying (1.4 per cent).

TABLE 18. EMPLOYMENT INDEX¹ BY INDUSTRY DIVISION

1972 — 1974

(1965 = 100)

Industry Division	1972	1973	1974 ^a	Per Cent Change	
				1973	1974
ALL ITEMS	123.1	132.2	138.3	7.4	4.6
Agriculture	122.3	147.6	150.8	20.7	2.2
Mining and quarrying	125.2	138.6	140.5	10.7	1.4
Manufacturing	131.4	135.5	142.7	3.1	5.3
Construction	79.2	56.8	59.0	(28.3)	3.9
Electricity, gas, water and sanitary services	119.4	120.5	128.4	0.9	6.6
Commerce	112.5	111.3	120.8	(1.1)	8.5
Transport, storage and communication	130.4	149.0	148.3	14.3	(0.5)
Services	131.8	143.2	151.6	8.6	5.9

SOURCES OF BASIC DATA — GSIS and 535 sample corporations

Wage Rates

The average daily money wage rates for skilled and unskilled labor continued to improve in 1974, increasing by 9.1 per cent and 7.9 per cent, respectively, over their corresponding levels a year ago. The grant of monthly emergency allowances to workers in private firms enabled these laborers to improve further on the 5.3 per cent and 2.7 per cent gains obtained in 1973.

On the other hand, comparatively higher prices (34.3 per cent) during 1974 continued to depress the real wage rates of skilled and unskilled laborers, as manifested by the substantial losses of 18.8 per cent and 19.8 per cent, respectively.

Earnings

The average monthly earnings of salaried employees and wage earners rose further during the period under review, showing gains of 9.2 per cent and 12.8 per cent, respectively. The monthly emergency allowances mentioned earlier, which were however effectively implemented only during the latter part of the year, augmented the take-home pay of these workers. Industry-wise, workers in the commercial

TABLE 19. WAGE RATES INDEX OF LABORERS IN INDUSTRIAL
ESTABLISHMENTS IN MANILA AND SUBURBS

1972 — 1974

(1965 = 100)

I t e m	1972	1973	1974p	Per Cent Change	
				1973	1974
Money wage rates ^{1/}					
Skilled laborers	146.6	154.4	168.5	5.3	9.1
Unskilled laborers	164.3	168.7	182.1	2.7	7.9
Real wage rates ^{2/}					
Skilled laborers	86.8	82.8	67.2	(4.6)	(18.8)
Unskilled laborers	97.4	90.4	72.5	(7.2)	(19.8)

SOURCE OF BASIC DATA: Private firms.

1/ This is the 1955=100 series shifted to 1965=100 series

2/ Money wage rate index deflated by the consumer price index (1965=100) in Manila

sector led the list of gainers, 12.9 per cent for salaried employees and 21.2 per cent for wage earners. Earnings in the other covered industries likewise showed improvements ranging from 4.6 per cent to 9.7 per cent for salaried employees and 5.7 per cent to 13.1 per cent for wage earners.

TABLE 20. INDEX OF AVERAGE MONTHLY EARNINGS IN SELECTED
NON-AGRICULTURAL INDUSTRIES IN THE PHILIPPINES

1972 — 1974

(1965 = 100)

Industry Division	1972	1973	1974p	Per Cent Change	
				1973	1974
ALL WORKERS					
Salaried employees ^{1/}	141.6	157.3	171.8	11.1	9.2
Wage earners	156.9	176.1	198.6	12.2	12.8
Mining and quarrying					
Salaried employees	119.6	135.3	148.4	13.1	9.7
Wage earners	168.3	184.3	208.4	9.5	13.1

Table 20 (concluded)

Manufacturing					
Salaried employees	156.3	173.4	181.4	10.9	4.6
Wage earners	174.2	190.4	201.2	9.3	5.7
Electricity, gas & heat water and sanitary services					
Salaried employees	163.6	181.0	197.0	10.6	8.8
Wage earners	154.0	181.5	204.2	17.9	12.5
Commerce					
Salaried employees	147.6	164.8	186.1	11.7	12.9
Wage earners	147.1	162.7	197.2	10.6	21.2
Transport & communication					
Salaried employees	138.1	148.2	161.4	7.3	8.9
Wage earners	148.5	167.1	184.6	12.5	10.5

SOURCE OF BASIC DATA: 787 cooperating establishments.

f) Salaried employees include executives and supervisors

Gross Sales

With the continued uptrend in prices during 1974, the Gross Sales Index covering five industry groups gained by about 45 per cent or more than twice that achieved in the preceding year. However, after adjusting for changes in wholesale prices, sales activity during the period showed a drop of 6.2 per cent.

Industry-wise, the biggest expansion at current prices occurred in the electricity, gas, water and sanitary services group, the sales index for which went up by 108.8 per cent, followed by commerce with an increase of 54.6 per cent. Likewise, significant improvements were noted in the transport, storage and communication industries which rose by 22 per cent to more than make up for the 29 per cent slump in sales receipts registered during 1973. In real terms, however, except for commerce and the utilities group, all other covered industries including manufacturing experienced declines during the period under review.

TABLE 21. GROSS SALES AND/OR RECEIPTS INDEX
By Industry Division
1972-1974

(1965=100)

Industry	1972	1973	1974p	Per Cent Change	
				1973	1974
All items	275.4	333.8	483.6	21.2	44.9
Manufacturing	335.4	428.7	613.3	28.0	43.1
Electricity, gas, water and sanitary services	262.0	312.8	653.0	19.4	108.8
Commerce	234.4	307.6	475.6	31.2	54.6
Transport, storage and communication	216.3	152.7	186.3	(29.4)	22.0
Services	153.4	185.9	241.4	21.2	29.9

SOURCE OF BASIC DATA: 408 corporations

TABLE 22. DEFLATED GROSS SALES AND/OR RECEIPTS INDEX
By Industry Division
1972-1974
(1965=100)

Industry	1972	1973	1974p	Per Cent Change	
				1973	1974
All items	157.0	152.8	143.3	(2.7)	(6.2)
Manufacturing	191.0	196.3	181.7	2.8	(7.4)
Electricity, gas, water and sanitary services	149.4	143.2	193.5	(4.2)	35.1
Commerce	133.6	140.8	140.9	5.4	0.1
Transport, storage and communication	123.3	69.9	55.2	(43.3)	(21.0)
Services	87.5	85.1	71.5	(2.7)	(16.9)

SOURCE OF BASIC DATA: 408 corporations.

K. PRICES

High inflation rates experienced in 1974 were reflected in steep upward movements of the major indices: 54 per cent at wholesale, 52 per cent at retail and 40 per cent at consumer (Philippines). It should be noted, however, that the rapid deceleration of the annual price increase

per month since July resulted in year-end annual rates (31 per cent for wholesale, 35 per cent for retail and 29 per cent for consumer (Philippines) being significantly lower than the whole-year averages.

The price uptrend during the first semester of 1974 originated from carry-over and current effects of:

- 1) more expensive food items due to both domestic and international supply shortages;
- 2) the higher cost of imports, particularly oil;
- 3) the world commodity boom, which jacked up the prices and consequently the earning power of some of the country's principal exports.

Factors which further aggravated domestic inflation were derived from the three basic price determinants cited above:

- 1) higher distribution costs;
- 2) a certain degree of demand-pull inflation resulting from the expansion of domestic liquidity mainly generated from the external sector;
- 3) export-competition-induced increases in domestic prices of home-consumed exportable goods;
- 4) increases in public utility rates;
- 5) pressures on the price level of emergency allowances and other salary adjustments granted by both public and private enterprises; and
- 6) induced price mark-ups on commodities and services, either to compensate for or hedge against the inflationary spiral.

Domestic inflation in 1974 originated primarily from demand and price developments abroad which were transmitted to the country via trade transactions as higher unit export and import prices. In turn, external developments were largely affected by:

- 1) strained productive capacity in many industrialized countries;
- 2) the surge in world liquidity since 1970;
- 3) currency re-alignments;
- 4) the international energy crisis; and
- 5) bad weather conditions in major world agricultural suppliers which resulted in world food-and-feed shortages.

The world demand build-up for primary imports complicated by co-incidental supply bottlenecks in some areas resulted in a commodity boom from which some of the country's main export products benefitted. This development caused liquidity expansion in, and price

pressures on the domestic market. Moreover, inflation abroad, worsened by the nearly fourfold increase in crude oil prices, was transmitted as higher unit costs of key production inputs to the import-dependent economy. Thus, the sharp upswing in the prices of those staples which move heavily in international trade — food, feeds, fiber, fuels and metals — was principally responsible for Philippine inflation of 1974, which can thus be characterized mainly as cost-push and externally-induced.

Inflationary pressures, however, were eased by the second half of 1974. Restrictive/deflationary policies, implemented in developed economies to lower inflation rates immediately led to a general slowdown in productivity. The first line of impact of this worldwide recessionary trend, transferred as an easing of foreign demand, was a subsequent fall in prices of some of the country's major exports, notably copper, coconut and wood products. In turn, the drop in copper prices and the bearish activity in the international stock market caused a sympathetic reaction on the part of the local stock market where average prices steadily fell on a monthly basis since June.

The offshoot of all these developments was a drop in wholesale (August), consumer (September) and retail (October) prices on a monthly basis and a marked slackening in their annual rates of increase since the latter half of 1974.

Inflation during the year was also mitigated by domestic factors:

First, policies which reduced the impact of imported inflation on the prices of basic consumption items were adopted:

1. Adjustment of export and import duties and liberalization of import restrictions;
2. price subsidies on imported rice and wheat, fertilizer for non-export agriculture and cooking oil; and
3. socialized pricing/price controls and buffer stock programs, (as in the case of cereals).

Further, the good harvest in crop year 1973/74 and improved implementation of the cereal buffer stock program prevented the usual sharp rise in rice prices in the lean inter-harvest months of August/September. Thus, the average price of rice in September 1974 was even 19 per cent less than the previous year level.

Lastly, the build-up of fiscal cash balances moderated the impact on money supply of the large external surplus while the flotation of CBICs not only helped absorb liquidity in the urban centers but also recycled resources to the rural areas for expanded food and export production.

TABLE 23. PER CENT CHANGES IN THE WHOLESALE PRICE INDEX
(1974 over 1973 Averages)

Item	General	Home Consumption Goods			Export Goods
		Domestically Produced	Imported	All Goods	
ALL ITEMS	54.5	52.1	41.1	50.1	76.5
Food	46.0	41.1	45.7	41.4	80.9
Beverages & Tobacco	14.1	14.5	14.9	14.5	7.9
Crude Materials	68.5	59.5	87.8	64.3	70.1
Mineral Fuels	120.0	145.1	44.2	119.0	197.5
Animal & Vegetable Oils	98.8	93.3	14.0	87.5	109.8
Chemicals	66.9	58.8	79.5	66.4	130.7
Manufactured Goods	53.5	57.8	40.5	53.3	60.7
Machinery & Transport Equip.	22.6	31.5	16.0	22.6	—
Miscellaneous Manufactures, D.C.S.	53.6	54.0	53.5	53.9	25.1

Sources of Basic Data: Bureau of Domestic Trade, Private firms and public markets.

The wholesale price index in Manila reflected the weighted average upward movement of its main components during the whole year of 1974: exports by 76 per cent, imports by 41 per cent, and non-traded goods by 52 per cent. Further, detailed analysis revealed that nearly three-quarters (72 per cent) of the annual increment was directly or indirectly connected with the rise in prices of internationally-traded commodities. For exports, these included: coconut oil (159 per cent), sugar (157 per cent), veneer corestock (142 per cent), unmanufac-

TABLE 24. — PER CENT CHANGES IN THE CONSUMER PRICE INDEX
1974 Over 1973 Averages

Region	All Items	Food	Housing	Fuel-Light-water	Clothing	Miscellaneous
Philippines	39.8	43.0	9.5	80.6	44.2	30.5
I. Manila	34.3	38.9	9.1	98.3	45.7	30.4
Regions Outside Manila	41.0	43.7	10.0	75.7	43.9	30.5
II. Ilocos	38.5	40.4	9.8	47.5	48.0	27.9
III. Cagayan	39.2	38.7	3.5	78.5	59.5	29.2
IV. Central Luzon	36.5	38.4	9.3	64.6	41.0	30.5
V. Southern Tagalog	37.0	38.7	5.7	77.7	39.6	32.2
VI. Bicol	42.4	45.0	11.3	54.4	44.1	34.7
VII. Western Visayas	44.8	46.8	10.2	75.0	61.5	30.4
VIII. Eastern Visayas	45.6	50.6	15.1	94.2	34.9	27.9
IX. Northern Mindanao	45.5	49.7	8.1	84.8	47.0	30.8
X. Southern Mindanao	43.3	45.8	15.0	111.6	40.8	29.0

Sources of Basic Data: Public markets, private firms and residential houses.

tured abaca (140 per cent), and copra (131 per cent). For imports: petroleum crude (272 per cent), urea (156 per cent), iron and steel products (90 per cent), rice (85 per cent), synthetic plastics (74 per cent) and cotton (74 per cent). Thus, mineral fuels (up by 120 per cent), animal and vegetable oils & fats (99 per cent) and crude materials (68 per cent) were price pacc-setters in the movement of the general wholesale price index.

TABLE 25. PER CENT CHANGES IN THE CONSUMER FOOD PRICE INDEX
1974 over 1973 Averages

Item	Philippines	Manila	Regions Out- side Manila
ALL ITEMS	43.0	38.9	43.7
Cereals	37.9	38.0	37.9
F i s h	51.8	43.4	53.2
M e a t	49.5	48.0	50.0
E g g s	34.1	33.2	34.4
Milk & Dairy Products	22.4	20.0	23.5
Roots, Vegetables & Fruits	56.2	52.2	56.9
Miscellaneous	39.5	29.8	42.3

Sources of Basic Data: Public markets, private firms and residential houses.

Meanwhile, consumer prices rose at a much lower rate than whole-sale prices. This was attributable both to the smaller weight given to imported and export items as well as to the larger weight attached to several items of basic consumption whose prices were controlled and/or subsidized by the government. Thus, only 42 per cent of the increase in consumer prices was due to external price developments.

Annual inflation rates were greater for regions outside Manila (41 per cent) than for Manila proper (34 per cent). This was mainly explained by higher distribution costs to outlying areas, consequent on such factors as inadequate transport infrastructure and the big increases in the prices of motor oil, transport equipment, parts and supplies.

For the Philippines, as a whole, the largest increases were registered by expenditures on fuel-light-water (81 per cent) and clothing (44 per cent). Further, the heavily-weighted food index rose by 43 per cent, accounted for chiefly by more expensive vegetables and fruits (56 per cent), fish (52 per cent), meat (50 per cent) and cereals (38 per cent).

TABLE 26. PER CENT CHANGES IN THE RETAIL PRICE INDEX
OF SELECTED COMMODITIES IN MANILA
(1974 Over 1973 Averages)

I t e m	Per Cent Changes
ALL ITEMS	51.5
Food	42.1
Wearing Apparel	44.3
Construction Materials	77.5
Fuel	115.3
Drugs & Medicine	20.5
School Supplies	47.7
Beverages & Tobacco	17.3
Household Supplies	40.7
House Furnishing & Equipment	50.9
DOMESTIC ITEMS	53.1
IMPORTED ITEMS	34.1

Sources of Basic Data: Public markets and private firms.

On the other hand, retail price movements (52 per cent) were higher than those of consumer prices. This was principally due to the non-inclusion of house rent (subject to government rent control) in the retail index, as well as to the bigger weights attached to items whose prices rose steeply during the year. These included fuel (115 per cent), construction materials (78 per cent) and house furnishing and equipment (51 per cent).

L. FOREIGN EXCHANGE POLICY

Among the more significant regulations issued by the Central Bank affecting foreign exchange transactions were the following:

1. The imposition of a premium duty on certain export products in addition to the tariff provided under RA 1937 (Tariff and Customs Code), (MAAB No. 23 dated February 25, 1974).
2. Agent banks were allowed to provide full foreign exchange cover for their outstanding regular sight letters of credit; however, they were not allowed to have an oversold foreign exchange position in any foreign currency. Furthermore, these agent banks could no longer avail themselves of overdrafts on foreign exchange borrowings against existing credit lines or any other form of foreign exchange borrowings abroad without the necessary spot exchange cover or forward exchange cover purchased from the Central Bank under swap arrangements (MAAB No. 25 dated March 1, 1974).

3. Primary gold producers were permitted to sell all or part of their gold production to Authorized Gold Dealers of the Central Bank or retain such refined gold production abroad for sale at some future date to authorized Gold Dealers or in the free gold market abroad in accordance with present regulations (Circular No. 401 dated April 24, 1974).

4. Setting as a rule that the interest rate on foreign loans should not be more than 1-1/2 per cent over the prime rate of the lending country, or over LIBO (London Inter-bank Offered) rate, except government borrowings under R.A 6142 which require lower rates (Circular Nos. 409 & 411 dated May 31 & June 1, 1974).

5. Authorized agent banks were required to maintain a balanced foreign exchange position for every acceptable foreign currency other than the U.S. dollar. These banks may, however, run an oversold or overbought foreign exchange position in any of the acceptable foreign currencies but not to exceed US\$250,000 for each currency on any given day based on prevailing exchange rates (MAAB No. 73 dated July 5, 1974)

6. Applications to purchase foreign exchange for travel abroad may now be processed by authorized agent banks without referring them to the Central Bank (MAAB No. 76 dated July 9, 1974).

7. Non-resident investors in Central Bank—approved Philippine securities were permitted to engage in single or multiple stock switch transactions of their foreign cash investments which were duly registered under the provisions of Circular No. 365 (MAAB No. 89 dated August 9, 1974).

8. Payments for imported commodities which are still in bonded warehouses may be made under O/A and D. A arrangements provided they meet certain conditions (MAAB No. 103 dated October 14, 1974).

9. Authorized agent banks were advised not to give due course to any report of foreign sales, export declaration or export permit covering any export to South Africa but should forward the same to the Central Bank (MAAB No. 121 dated December 23, 1974).

M. BALANCE OF PAYMENTS

The country's balance of payments for 1974 registered a surplus of \$109.9 million, representing only about a sixth of the \$664.4 million surplus obtained in 1973. This development was expected considering the high inflation rate abroad, the energy crisis and its recessionary impact on most of the country's principal trading partners during the period.

The merchandise account, characterized by the sharp upturn in costs of imports, particularly petroleum products, and the softening of prices for some of the Philippines' traditional exports towards the latter part of the year, resulted in a trade deficit of \$449.4 million from a surplus of \$274.7 million in 1973. Imports rose by \$1,546.7 million to \$3,143.3 million, while exports expanded by only \$822.5 million to \$2,693.9 million.

TABLE 27. BALANCE OF PAYMENTS OF THE PHILIPPINES
1973—1974
(Million U. S. Dollars)

I t e m	1974	1973
A. Goods and Services:		
Exports, f.o.b.	2,693.85 ^a	1,871.36 ^a
of which, non-monetary gold	74.31	103.46
Imports, f.o.b.	3,143.26	1,596.62
of which, crude oil	573.20	166.00
Trade balance	— 449.41	274.74
Transportation & merchandise insurance	— 271.20	— 154.11
Travel	41.06	— 61.40
Investment income	— 54.71	— 113.39
Services rendered to U.S. military	44.27	41.64
Pensions from the U.S. government	78.01	74.21
Private transfers	122.76	94.20
Others	208.72	164.97
Non-Trade balance	168.91	168.92
Total A	280.50	443.66
B. Official Grants & Long-Term Capital:		
Reparations from Japan	40.48	45.00
Other Grants	29.80	32.34
Private loans	31.56	5.10
Official loans	110.29	77.15
Other private capital	59.90	64.49
Other official capital	—	— 1.69
Total B	272.03	212.19
C. Private Short-Term Capital and Net Errors and Omissions:		
Private short-term capital	193.96	74.65
Net errors and omissions	— 75.59	— 66.06
Total C	118.37	8.59
D. Overall Position (A thru C)	109.90	664.44
E. Monetary Movements:		
Net IMF accounts	— 10.62	— 20.62
Central Bank liabilities	190.24	— 85.40
Special drawing rights	— 4.54	— 2.59
Central Bank foreign exchange assets (increase —)	— 460.92	— 507.61
Commercial banks foreign exchange assets (increase —)	— 96.86	— 205.86
Commercial banks liabilities	272.80	127.01
Monetary gold	—	— 30.63
Total E	— 109.90	— 664.44

a/ Exclusive of value added to exports of finished products out of raw materials previously imported under consignment. Such value added is reported under other services.

Non-merchandise trade transactions partly negated the trade deficit with a net inflow of \$168.9 million equal to the preceding year's figure. However, net disbursements for transportation and merchandise insurance were almost twice those of last year due primarily to the sharp rise in the cost of freight which in turn was influenced by the oil crisis. Significantly, the improvement from negative \$113.4 million in 1973 to negative \$54.7 million brought about by the high interest earnings on the Central Bank's foreign exchange holdings, reduced the impact of higher freight disbursements by \$58.7 million. Similarly, private transfers and other services together accounted for an increase of \$72.3 million in net inflows for the year.

Total goods and services, therefore, which a year earlier indicated a surplus of \$443.7 million, turned into a deficit of \$280.5 million.

A net inflow of \$272.0 million was registered in official grants and long-term capital, compared to the net inflow of \$212.2 million for the earlier year. The increment emanated from private loans (up by \$36.7 million) and official loans (up by \$33.1 million) utilized for production efforts and continued economic development of the country.

Private short-term capital movement, made up mostly of supplier's credits and advances for exports, and net errors and omissions recorded a net inflow of \$118.4 million, compared to the net inflow of \$8.6 million during the preceding year.

As a result of these developments, together with the net compensatory borrowings of the Central Bank, the country's international reserve rose from \$875.9 million at the end of 1973 to \$1,165.5 million as of December 31, 1974.

N. INTERNATIONAL RESERVE

At \$1,165.5 million as of December 31, 1974, the international reserve increased by \$289.5 million or 33 per cent over the end-1973 level. This was wholly brought about by the improvement of \$465.5 million in the Central Bank international reserve which was, however, partially offset by the expansion of \$175.9 million in the net foreign exchange liability position of commercial banks during the year.

The Central Bank international reserve rose from \$1,037.1 million at the beginning of the year to \$1,502.5 million by the end of December, 1974. Except for a slight decrease in foreign securities, all holdings of the Central Bank registered increases, the most significant of which were the gains of \$334.6 million in "due from foreign (except U.S.) depositories" and \$106.0 million in "due from U.S. depositories".

Similarly, gross foreign exchange holdings of commercial banks at \$475.4 million were \$96.9 million more than the end-1973 level. However, due to heavier foreign exchange outflows particularly in import payments, liabilities increased by a greater magnitude — \$272.8 million. Consequently, the net foreign exchange liabilities position of com-

INTERNATIONAL RESERVE, 1972-'74

(Million U.S. Dollars)

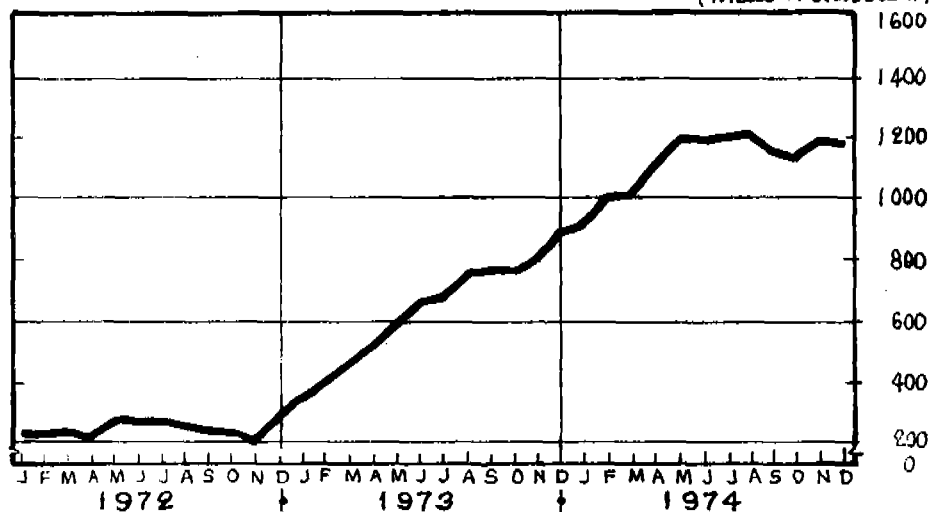


Chart 10

TABLE 28. INTERNATIONAL RESERVE OF THE PHILIPPINES
As of Dates Indicated
(Million U.S. Dollars)

Item	Dec. 31, 1974	Dec. 31, 1973
TOTAL INTERNATIONAL RESERVE	1,165.48	875.96
CENTRAL BANK	1,502.51	1,037.05
G o l d	44.58	44.58
Due from U.S. Depositories	465.01	358.99
Due from Other Foreign Depositories	905.01	570.35
Foreign Securities	16.10	17.13
Foreign Currencies	5.52	2.76
Accrued Interest on Time Deposits	30.23	14.12
Holdings of Special Drawing Rights	33.32	28.78
Accrued Interest on SDRs43	.16
Accrued Interest on CBCI-FC	2.28	.18
Accrued Interest on Japanese Bonds03	—
OTHER BANKS (NET)	(337.03)	(161.09)
Assets	475.44	378.58 ^a
Liabilities	812.47	539.67 ^a

Sources of Data: Foreign Exchange Dept., Central Bank of the Philippines and Commercial Banks.
a/ In accordance with the definition of foreign exchange assets and liabilities under the Revised Manual on Foreign Exchange Transactions effective January 2, 1973.

merical banks deteriorated sharply by \$175.9 million to \$337.0 million as of December 31, 1974.

The international reserve movement during the year was on a general uptrend for the first eight months of the year interrupted only by a \$3.8 million decrease in June. From August, however, the international reserve exhibited a continuous downtrend except for a sudden \$58.4 million upsurge in November. The increase for this month was primarily the result of a net inflow of \$27.5 million in current transactions (wholly from non-merchandise trade and transfers/donations) and a net availment of \$33.2 million in Central Bank compensatory borrowings. These were partially offset by a \$2.3 million net outflow in non-monetary capital transactions. In December, the reserve continued its downward movement due to the \$22.5 million net monetary capital outflow and \$15.6 million net payments in Central Bank compensatory borrowings which were only partially offset by the \$24.2 million net outflow in current transactions.

O. EXTERNAL TRADE

A combination of factors — major price increases in oil which intensified inflationary pressures, and the slowdown in economic activities in industrialized countries particularly in mid-1974, heavily influenced the pattern of the Philippines' external trade during 1974. The favorable trade balance, which for the previous year was a record high of \$289.7 million, turned into deficit of \$418.3 million, the biggest ever incurred in the country's trade history.

The aggregate value of goods traded during the year amounted to \$5,868.2 million, 68.5 per cent or \$2,385.3 million higher than the record level last year.

Imports, which accounted for 53.6 per cent of total trade, rose to almost twice those of last year and aggregated \$3,143.3 million. This unparalleled expansion was due largely to increments in prices which amounted to 74.5 per cent and to a lesser extent to the expansion in volume of 10.2 per cent.

Exports at \$2,725.0 million, likewise manifested an upward trend but at a much slower rate of 44.5 per cent as compared to the 64.7 per cent achieved the year before. Improved prices, particularly of the country's principal exports, were solely responsible for the increase, since volume contracted by almost 23.6 per cent.

The country's net terms of trade improved by 7.2 per cent from 99.9 (1965=100) to 107.1, as a result of the higher increase in the export price index as compared to the rise in the import price index. The purchasing power of exports, however, went down by 18.0 per cent to 133.7 as a result of a 23.6 per cent decline in the quantum index of exports, totally offsetting the improvement in the net terms of trade.

The United States regained the topmost position among the country's trading partners, dislodging Japan during the year. As the princi-

pal trading partner, the United States was the biggest purchaser of exports and was the second most important source of imports. Japan, on the other hand, supplied the bulk of imports and was the second largest market for exports. Saudi Arabia was the third leading trading partner, followed by the Netherlands, West Germany and the United Kingdom.

TABLE 29. TRADE INDICES
1971 — 1974
(1965 = 100)

I t e m	1971	1972	1973	1974
<i>Exports</i>				
Price Index	112.1	100.0	149.0	278.8
Quantum Index	131.2	143.7	163.3	124.8
Value Index	147.1	143.7	243.3	347.9
<i>Imports</i>				
Price Index	119.1	128.0	149.1	260.2
Quantum Index	124.8	124.6	132.8	146.3
Value Index	148.6	159.5	198.0	380.7
Net terms of Trade	94.1	78.1	99.9	107.1
Purchasing Power of Exports	123.5	112.2	163.1	133.7

Sources of Basic Data: Bureau of Customs, National Census & Statistics Office

Exports

At \$2,725.0 million, this year's exports reflected an increment of 44.5 per cent due solely to the improvement in prices which amounted to 87.1 per cent and completely negated the adverse effect of the 23.6 per cent fall in volume.

The ten principal exports which accounted for 78.7 per cent of the total exports amounted to \$2,145.7 million and were 52.3 per cent higher than last year. Except for logs & lumber and copra, all other principal exports registered gains of varying magnitudes.

Sugar, which accounted for 27.1 per cent of total exports, went up by 168.4 per cent to \$737.4 million. This was due mainly to higher prices in the U.S. and world markets, resulting from panic buying at the height of supply shortages during the latter part of the year. For the second consecutive year, shipments were made to other markets instead of solely to the United States. Japan bought \$158.6 million worth while Finland and the United Kingdom purchased \$21.3 million and \$8.6 million, respectively.

Exports of copper concentrates (\$393.2 million) expanded by 42.9 per cent as a result of increments for both volume and prices of 8.7 per cent and 31.4 per cent, respectively.

TABLE 30. EXPORT PRICES OF PRINCIPAL EXPORTS
1973 and 1974
(Unit Value in US\$ per Metric Ton)

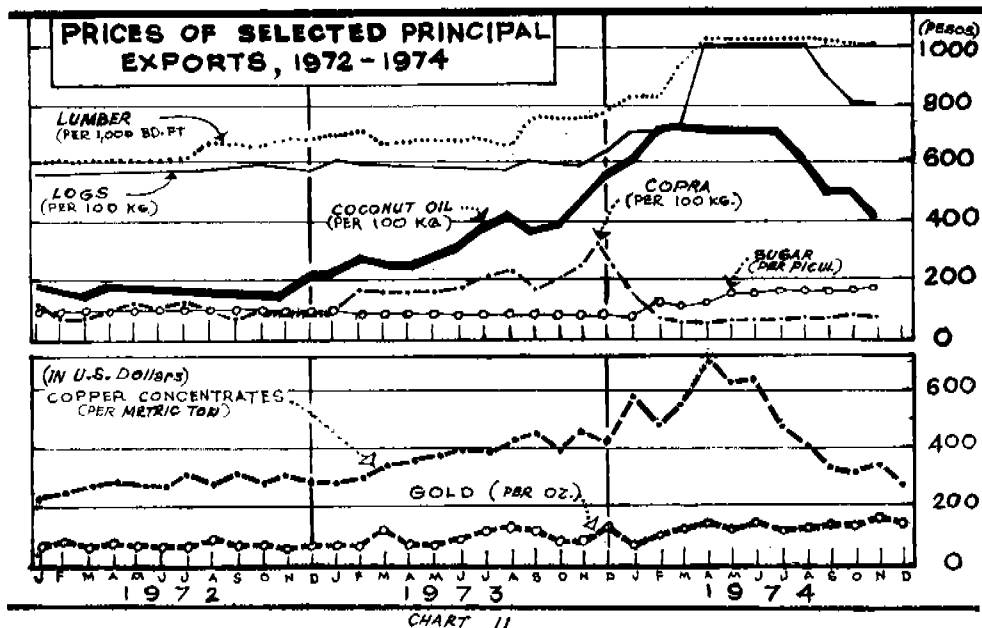
I t e m	1974	1973	Per Cent Change
Sugar	478	186	157.0
Copper concentrates	473	360	31.4
Coconut oil	916	354	158.8
Logs ¹	108	92	17.4
Lumber ¹	250	194	28.9
Copra	522	226	131.0
Gold ²	137	101	35.6
Desiccated coconut	944	416	126.9
Bananas	69	60	15.0
Abaca, unmanufactured	870	363	139.7
Pineapple (canned)	244	217	12.4

Source of Basic Data: National Census & Statistics Office

1/ U.S.\$ per thousand board feet

2/ U.S.\$ per troy ounce

In the case of coconut products, exports of coconut oil (\$380.7 million) and desiccated coconut (\$60.3 million) increased by 152.0 per cent and 86.1 per cent, respectively, due solely to better prices since their



volumes declined moderately. On the other hand, earnings from copra valued at \$139.8 million contracted by 15.7 per cent due mainly to the decline in volume which more than offset the effect of increased prices.

Shipments of logs & lumber, amounting to \$246.4 million, were 27.3 per cent less than last year's \$339.0 million despite the moderate improvement in prices. This was due mainly to the lag in demand brought about by the slump in construction activities in the country's principal markets.

Competitive cost and better quality boosted demand for Philippine bananas in Japan. Hence, earnings from bananas in 1974 expanded by 63.7 per cent to \$45.5 million at prices and volume above the previous year's levels.

Despite the 20.4 per cent decline in volume, exports of unmanufactured abaca rose from \$19.6 million last year to \$37.5 million or an expansion of 91.3 per cent. Indirectly, the increase in prices of oil raised prices of synthetic fibers to prohibitive levels making abaca more competitive.

Exports of canned pineapple increased to \$30.6 million or by 55.3 per cent as a result of the 12.4 per cent increment in prices coupled with a 37.8 per cent expansion in volume.

Speculative gold buying in anticipation of the probable weakening of the world's major currencies resulted in a 36.6 per cent increase in

TABLE 31. TEN PRINCIPAL EXPORTS
1973 and 1974
(F.O.B. Value in Million U.S. Dollars)

Item	1974		1973		Per Cent Change in Value
	Value	Cumulative per cent of Total Exports	Value	Cumulative per cent of Total Exports	
Sugar	737.4	27.1	274.7	14.6	168.4
Copper concentrates	393.2	41.5	275.2	29.2	42.9
Coconut oil	380.7	55.5	151.1	37.2	152.0
Logs & lumber	246.4	64.5	339.0	55.1	-27.3
Copra	139.8	69.6	165.8	63.9	-15.7
Gold	74.3	72.4	103.5 ^a	69.4	-28.2
Desiccated coconut	60.3	74.6	32.4	71.1	86.1
Bananas	45.5	76.2	27.8	72.6	63.7
Abaca unmanufactured	37.5	77.6	19.6	73.6	91.3
Pineapple (canned)	30.6	78.7	19.7	74.7	55.3
Total Ten Principal Exports	2,145.7	78.7	1,408.8	74.7	52.3
Total Exports	2,725.0	100.0	1,886.3	100.0	44.5

SOURCE: National Census and Statistics Office.

a/ Inclusive of profit from sale of gold — \$49.1 million.

TABLE 32. EXPORTS BY COMMODITY GROUP
1973 and 1974
(F.O.B. Value in Million U.S. Dollars)

I t e m	1974		1973	
	Value	Per Cent Distribu- tion	Value	Per Cent Distribu- tion
TOTAL	2,725.0	100.0	1,886.3	100.0
Sugar	766.4	28.1	294.4	15.6
Centrifugal and refined	737.4	27.1	274.7	14.6
Molasses	27.7	1.0	18.9	1.0
Others	1.3	—	0.8	—
Coconut Products	613.0	22.5	373.1	19.8
Copra	139.8	5.1	165.8	8.8
Coconut Oil	380.7	14.0	151.1	8.0
Desiccated Coconut	60.3	2.2	32.4	1.7
Copra meal/cake	27.9	1.0	22.8	1.2
Others	4.3	0.2	1.0	0.1
Mineral Products	518.6	19.0	422.7	22.5
Copper concentrates	393.2	14.4	275.2	14.6
Iron ore	—	—	1.3	0.1
Chromite ore	12.6	0.5	9.2	0.5
Iron concentrates	11.5	0.4	16.7	0.9
Gold	74.3	2.7	103.5 ^a	5.5
Others	27.0	1.0	16.8	0.9
Forest Products	332.5	12.2	443.0	23.5
Logs	216.3	7.9	303.9	16.1
Lumber	30.1	1.1	35.1	1.9
Plywood	26.1	1.0	58.1	3.1
Others	60.0	2.2	45.9	2.4
Fruits & Vegetables	91.0	3.3	57.2	2.9
Pineapple (canned)	30.6	1.2	19.7	1.0
Pineapple (juice)	1.5	—	0.9	—
Pineapple concentrates	2.6	—	2.2	0.1
Bananas	45.5	1.7	27.8	1.5
Others	10.8	0.4	6.6	0.3
Abaca & Manufactures	55.7	2.0	28.0	1.5
Unmanufactured abaca	37.5	1.3	19.6	1.0
Abaca rope	7.7	0.3	3.8	0.2
Others	10.5	0.4	4.6	0.3
Tobacco	30.4	1.1	27.0	1.4
Raw	29.8	1.1	26.3	1.4
Cigar & others	0.6	—	0.7	—
All Other Exports	317.4	11.8	240.9	12.8

Source: National Census and Statistics Office.

a/ Inclusive of profits from sale of gold — \$49.1 million.

earnings from exports of gold in 1974. From \$54.4 million (excluding the \$49.1 million profit from the sale of monetary gold credited as exports), exports of gold rose to \$74.3 million, at prices 35.6 per cent above last year's level and 1.0 per cent more, volume-wise.

The composition of the ten principal exports underwent minor changes with the re-entry of unmanufactured abaca and canned pineapple which led to the easing out of plywood and copra meal and cake from the list.

Similarly, shifts in relative rankings occurred among the ten principal exports during the period. Sugar which was in third place last year climbed to first position. Coconut oil moved from fifth to third position while bananas advanced from ninth to eighth position. Unmanufactured abaca and canned pineapple, which last year were not in the list, now occupied the ninth and tenth positions, respectively. Conversely, copra was a notch lower in fifth position while logs and lumber slid from the topmost position to fourth place. Copper concentrates, gold and desiccated coconut retained their previous year's rankings.

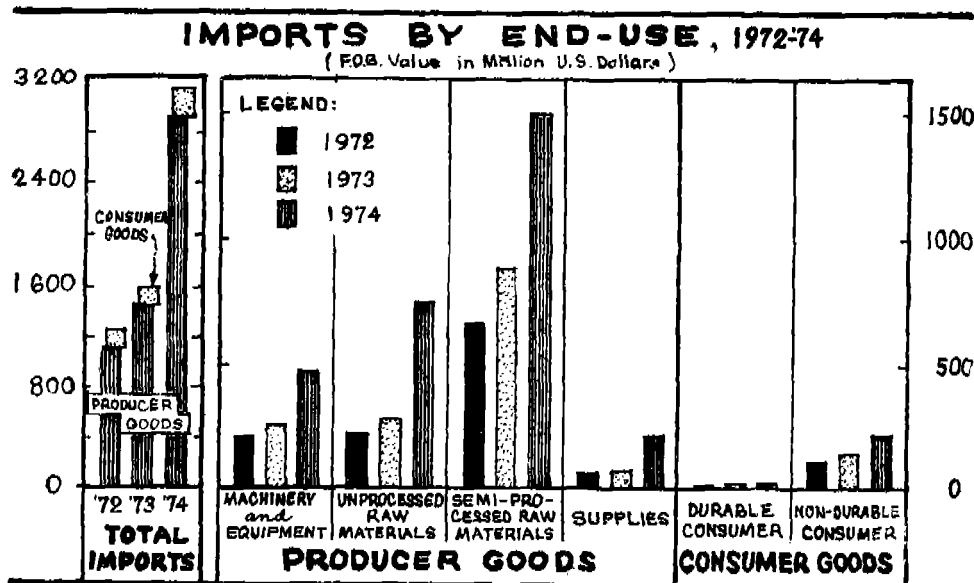
Imports

The uptrend in imports evident for the past three years continued strongly through 1974. At \$3,143.3 million, imports exceeded the previous year's level by 96.9 per cent. This was primarily brought about by the unprecedented increase in oil prices which created a chain reaction among other import commodities, ultimately pushing up prices of imports by 74.5 per cent as import volume rose by only 10.1 per cent.

Classified according to end-use, imports of producer goods at \$2,913.2 million accounted for 92.7 per cent of total imports and were at levels twice those of last year. Similarly, consumer goods amounting to \$230.1 million expanded by 59.1 per cent.

Imports of raw materials both unprocessed and semi-processed rose to \$2,238.6 million or by 94.6 per cent mainly on account of higher costs of procurement, particularly crude oil and other petroleum-based raw materials. Machinery and equipment amounting to \$472.3 million were also higher due largely to increased arrivals of ships and boats, mining and construction machinery and road motor vehicles. Supplies, composed mostly of manufactured fertilizers, bunker fuel oils, and miscellaneous chemical materials, likewise expanded to \$202.2 million, more than thrice as much as the \$66.7 million importations last year. Similarly, arrivals of non-durable consumer goods valued at \$220.6 million and durable consumer goods amounting to \$9.5 million both

exceeded their previous year's levels, the former increasing by 57.7 per cent and the latter rising by 97.6 per cent.



By commodity, the total value of the twenty leading import items representing 42.5 per cent of total imports rose to \$1,334.9 million, an increase of 153.0 per cent over last year's \$527.6 million. Crude oil registered the biggest increment as arrivals increased sharply to \$573.2 million from \$166.1 million last year. Imports of petroleum-based commodities, likewise, experienced record expansions. Urea, an important ingredient of fertilizer, increased from \$9.8 million last year to \$65.4 million during the period under review while other mixed fertilizers for which no importations were made last year, accounted for \$32.4 million. Arrivals of synthetic textile fibers at \$53.0 million and yarns of synthetic fibers at \$28.9 million rose by 80.0 per cent and 54.9 per cent, respectively. Among the non-oil group, wheat spelt including meslin, which stood at \$78.8 million, increased by 59.3 per cent despite a 5.1 per cent contraction in volume. Similarly, the expansion in volume as well as the increment in prices resulted in bigger arrivals of canned mackerel (\$27.8 million) and dry skim milk (\$37.4 million). Importation of rice declined from \$44.7 million to \$39.4 million due mainly to volume which contracted to almost a half. Efforts to improve the transportation system influenced the rise in transport equipment. Imports of ships and boats jumped from \$2.3 million to \$56.6 million while arrivals of airplanes for commercial use increased by \$2.0 million to \$33.3 million. At the same time, importation of completely CKD passengers cars of not more than 4 cylinders expanded by 80.0 per cent to \$36.0 million. A pick up in the operation of basic metal industries in response to the need of the intensified infrastructure program and increase in construction activities accelerated ar-

rivals of iron and steel coils for rerolling and steel and iron blooms, slabs and billets at prices and volume above last year's levels.

Direction of Trade

The United States once more regained its position as the principal trading partner this year as it accounted for 32.2 per cent or \$1,887.4 million of the Philippines' total external trade.

Imports from this country at \$730.7 million were 62.6 per cent higher compared with the record high of last year and were surpassed only by imports from Japan. The United States was the main supplier of non-electrical machinery and cereals and cereal preparations and was the second principal source of base metals, transport equipment, chemical elements and compounds, electrical machinery and explosives and miscellaneous chemicals.

Exports to the United States, representing 42.4 per cent of total exports, expanded by 71.1 per cent, hitting more than a billion mark (\$1,156.7 million) for the first time. As the biggest market for exports the United States was the leading buyer of sugar, coconut oil, desiccated coconut, unmanufactured abaca and canned pineapple. The United States also purchased part of the country's exports of gold, copper concentrates, and logs and lumber. With the rise in exports far surpassing the expansion in imports, the favorable balance of trade with the United States improved appreciably from \$226.5 million to \$426.0 million this year.

Total trade with Japan, representing 30.9 per cent of the country's total trade, aggregated \$1,813.7 million, reflecting an increase of \$620.7 million over the previous year. Imports from Japan, accounting for 27.5 per cent of total imports, rose to \$864.5 million from \$518.5 million last year, an increase of 66.7 per cent. Being the country's principal source of imports, Japan supplied the bulk of base metals (\$174.0 million), transport equipment (\$98.6 million), chemical elements and compounds (\$95.8 million), electric machinery and apparatus (\$42.7 million) and explosives and miscellaneous chemicals (\$42.7 million).

Perennially, the second biggest market for exports, Japan purchased the bulk of copper concentrates, bananas, logs and lumber, gold and other mineral ores and concentrates. Japan also bought a considerable portion of canned pineapple, abaca and copra and for the second time this year, bought Philippine sugar in substantial amounts. As a result of these developments, the Philippine's trade surplus with Japan narrowed down from \$156.0 million last year to \$84.8 million during the period under review.

Imports from the European Common Market which were at higher levels this year, aggregated \$386.3 million, an increase of 87.3

per cent. Imports from the United Kingdom (\$132.5 million) were the biggest from the region, followed by Germany (\$122.6 million), France (\$40.8 million) and the Netherlands (\$38.7 million). Exports to the ECM, composed mostly of coconut products, gold, canned pineapple and unmanufactured abaca, expanded by 40.3 per cent to \$323.4 million. The Netherlands bought \$160.0 million worth of exports while Germany and the United Kingdom purchased \$68.5 million and \$56.4 million, respectively. The trade balance with the ECM, on the whole, turned from a \$24.4 million surplus a year ago to a \$62.9 million deficit. Except for the \$121.3 million surplus enjoyed with the Netherlands, trade deficits were incurred with all other members of the ECM.

Trade with the Economic and Social Commission for Asia and the Pacific (ESCAP) region, excluding Japan, accounted for 8.9 per cent of total trade and was 55.1 per cent higher this year. Imports from ESCAP amounting to \$365.5 million rose by 94.6 per cent while exports to the region at \$156.1 million expanded by 5.2 per cent. Among ESCAP members, the leading import suppliers of the country were Australia (\$134.2 million), New Zealand (\$49.2 million), Iran (\$38.8 million), Malaysia (\$28.0 million), Singapore (\$27.1 million) and Hongkong (\$26.5 million). For exports, the important markets in the region were Hongkong (\$31.7 million), Australia (\$30.1 million), Korea (\$18.6 million), Singapore (\$18.5 million) and U.S.S.R. (\$18.2 million). The trade deficit with the region, however, deteriorated from \$39.4 million to \$209.4 million with the biggest deficits being with Australia (\$104.1 million), New Zealand (\$46.4 million) and Iran (\$37.6 million).

DIRECTION OF EXTERNAL TRADE, 1974 (PER CENT DISTRIBUTION)

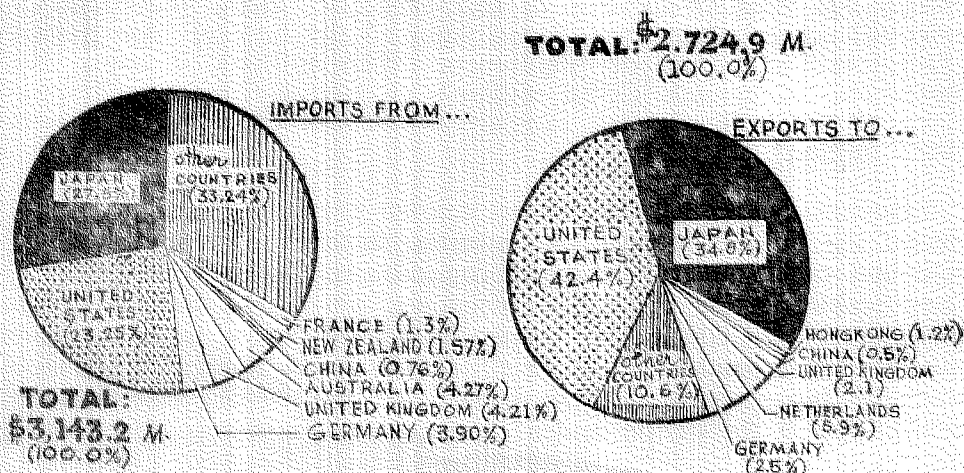


CHART 13

TABLE 33. DIRECTION OF TRADE
1973 and 1974

(F.O.B. Value in Thousand U.S. Dollars)

T e r m	I M P O R T S				E X P O R T S				Balance of Trade	
	1974	%	1973	%	1974	%	1973	%	1974	1973
T O T A L	3,143,260	100.00	1,596,618	100.0	2,724,989 ^a	100.0	1,886,315 ^a	100.0	- 418,271	+ 289,697
U. S.	730,689	23.2	449,492	28.2	1,156,731	42.4	675,955	35.8	+ 426,042	+ 226,463
Japan	864,451	27.5	518,519	32.5	949,207	34.8	674,523	35.8	+ 84,756	+ 156,004
European Common Market	386,303	12.3	206,240	12.9	323,446	11.9	230,598	12.2	- 62,857	+ 24,358
Belgium	17,733	0.6	7,740	0.5	6,520	0.2	3,959	0.2	- 11,213	- 3,781
Denmark	11,878	0.4	7,131	0.4	6,755	0.3	8,810	0.4	- 5,123	+ 1,670
France	40,802	1.3	19,297	1.2	17,550	0.6	21,030	1.1	- 23,252	+ 1,733
Germany	122,581	3.9	76,499	4.8	68,492	2.5	63,516	3.4	- 54,089	- 12,983
Ireland	2,073	0.1	332	—	224	—	63	—	- 1,849	- 269
Luxembourg	242	—	56	—	—	—	—	—	- 242	- 56
Netherlands	38,672	1.2	15,863	1.0	159,951	5.9	90,551	4.8	+ 121,279	+ 74,688
United Kingdom	132,458	4.2	70,651	4.4	56,383	2.1	35,087	1.9	- 76,075	- 35,564
Italy	19,864	0.6	8,671	0.5	7,571	0.3	7,582	0.4	- 12,293	- 1,080
ESCAP ^{11/} Countries (Except Japan)	365,476	11.6	187,807	11.8	156,062	5.7	148,418	7.9	- 209,414	- 39,389
a) Asean Countries ..	75,416	2.4	34,554	2.2	34,989	1.3	39,007	2.1	- 40,427	+ 4,455
Indonesia	4,504	0.1	1,653	0.1	9,502	0.4	14,321	0.8	+ 4,998	+ 12,668
Singapore	27,111	0.9	8,069	0.5	18,452	0.7	14,683	0.8	- 8,659	+ 6,612
Thailand	15,782	0.5	10,140	0.6	3,447	0.1	4,262	0.2	- 12,335	- 5,878
Malaysia	28,019	0.9	14,692	0.9	3,588	0.1	5,741	0.3	- 24,431	- 8,951

b) Other ESCAP

Countries	290,060	9.2	153,253	9.6	121,073	4.4	109,411	5.8	— 168,987	— 43,842
Australia	134,167	4.3	66,422	4.2	30,109	1.1	17,015	0.9	— 104,058	— 49,407
Brunei	—	—	—	—	865	—	857	—	+ 865	+ 857
Burma	648	—	—	—	10	—	9	—	— 638	+ 9
People's Republic of China (Mainland)	23,925	0.8	21,318	1.3	13,307	0.5	6,571	4	— 10,618	— 14,747
U.S.S.R.	16	—	944	0.1	18,221	0.7	7,877	0.4	+ 18,205	+ 6,933
Hongkong	26,485	0.8	16,847	1.1	31,724	1.2	37,678	2.0	+ 5,239	+ 20,831
India	5,815	0.2	2,827	0.2	917	—	507	—	— 4,898	— 2,320
Korea	8,365	0.3	4,610	0.3	18,639	0.7	27,231	1.4	+ 10,274	+ 22,621
Pakistan	2,524	0.1	1,912	0.1	358	—	210	—	— 2,166	— 1,702
South Vietnam	69	—	96	—	2,225	0.1	8,441	0.5	+ 2,156	+ 8,345
New Zealand	49,250	1.6	25,473	1.6	2,848	0.1	1,599	0.1	— 46,402	— 23,874
Iran	38,757	1.2	12,753	0.8	1,118	—	1,221	0.1	— 37,639	— 11,532
Khmer Republic	—	—	7	—	565	—	138	—	+ 565	+ 131
Sri Lanka	39	—	44	—	143	—	8	—	+ 104	— 36
Others	—	—	—	—	24	—	49	—	+ 24	+ 49
Other Countries	796,341	25.3	234,562	14.7	139,543	5.1	156,821	8.3	— 656,798	— 77,739

SOURCE OF BASIC DATA: National Census & Statistics Office.

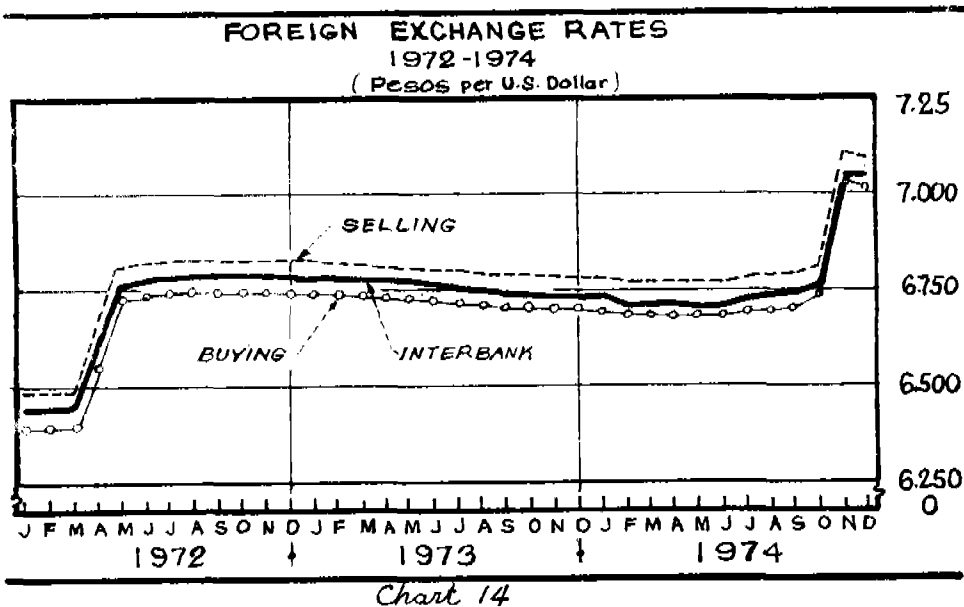
1/ Economic and Social Commission for Asia and the Pacific, formerly Economic Commission for Asia and the Far East (ECAFE).

a/ Inclusive of value added to embroidery exports.

P. FOREIGN EXCHANGE MARKET

The average interbank rate during the year behaved erratically as rates fluctuated from a low ₱6.718 to a high ₱7.067 — a complete reversal of the downward trend noted a year earlier. From ₱6.731 at the beginning of the year, it dropped to ₱6.718 by the end of June, due primarily to the weakening of the U.S. dollar vis-a-vis other major currencies in the international market. During the early part of the second semester however, the average interbank rate gradually rose, largely influenced by uncertainties in the world market, and the possible weakening of the country's external accounts. The average interbank rate reached a high of ₱7.067 in mid-November and remained at this level, except for minor fluctuations during the rest of the year.

In the same period, the selling rate remained above the interbank rate with a margin ranging from ₱0.050 to ₱0.053. The buying rate on the other hand, ranged from ₱0.033 to ₱0.035 below the interbank rate, well within the allowable 4-1/2 per cent spread.



During the year, the Central Bank intervened in the FOREX to keep the rate at a manageable level, avoiding sharp fluctuations in order to minimize speculations in the foreign exchange market. Total purchases of the Central Bank amounted to \$577 million and sales to \$498 million or a net purchase of \$79 million.

Commitments of the Central Bank under various swap arrangements amounted to \$282 million — \$116 million or 70 per cent more than the end-December 1973 figure. Of the total outstanding swap commitments: \$171 million or 60.7 per cent were swaps under Circular No. 343; \$75 million or 26.6 per cent were swaps governed by MAAB

dated February 23, 1971 (sales of spot exchange against forward cover with a forward premium); \$36 million or 12.6 per cent were special dollar-peso swaps approved by the Monetary Board on a case to case basis; and \$0.22 million or 0.1 per cent were under MAAB dated May 8, 1970 (sales of spot cover for unnegotiated letters of credit).

Purchases under swap agreements during the year reached \$319 million while deliveries amounted to \$155 million. Purchases were heaviest during the second quarter and consisted mainly of swaps with forward cover. In view of the liberal policy adopted by the Central Bank, total swap purchases with forward cover reached \$168 million at the end of the year. Deliveries were effected largely in the third quarter while cancellations amounting to \$48 million transpired mostly in the first semester.

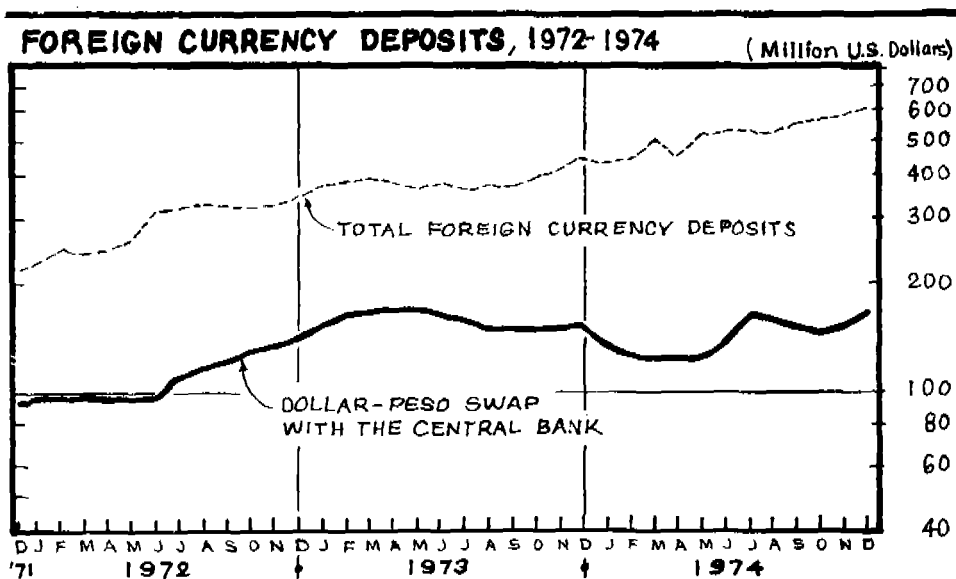


Chart 15

II. ACTIVITIES OF THE CENTRAL BANK

Central Bank activities in 1974 continued to be concerned with efforts to contain inflation, improve pattern of credit flows, insure continuous inflow of foreign capital and strengthen the financial system. Furthermore, the Central Bank continued its support of the government's agricultural food production program, involvement in a national savings campaign and more active operations as fiscal agent of the government.

External Debt Management

A. MANAGEMENT OF EXTERNAL ACCOUNTS —

In view of developments in the international economy during 1974 which called for some major revisions in the policies and regulations of the government, the Central Bank adopted and implemented measures intended to insure continuous inflow of foreign capital. The measures were geared primarily at minimizing the impact of higher oil payments and at insuring the effective control of the country's external debt.

During the year, a total of 393 applications for authority to avail of foreign credits, to restructure or refinance foreign loans, and to accept foreign investments involving an amount of US\$1,137.9 million, were evaluated and recommended to the Monetary Board and/or management. Foreign credits numbering 152 and amounting to US \$294.6 million were approved for registration.

On foreign investments, 498 applications amounting to P1.5 billion (approximately \$229.0 million) were processed and evaluated in accordance with existing rules and/or policy guidelines. Moreover, procedures for the registration of long existing foreign investments that could no longer be documented with direct proof of inward remittance of foreign exchange were developed. Consultation and coordination with the Board of Investments and the Central Bank Advisory Group facilitated the entry of large amounts of foreign investments in industrial firms, commercial banks and investment houses.

Foreign Exchange Investment Portfolio

Last July, 1974 the Foreign Exchange Investment Management Unit of the Foreign Exchange Department, was formally organized. It is charged with the primary function of managing the Central Bank's foreign exchange assets in line with the basic objective of maximizing income at minimum risk and effectively maintaining the required degree of liquidity of investments to insure the availability of funds for operational demands when needed anywhere and in any currency.

Import-Export Regulations

The classification according to essentiality of a number of commodities was revised to suit the changing pattern of the country's requirements for development. In 1974, twenty five (25) items which were specifically banned for importation under C.B. Circular No. 289 were reclassified to higher categories and were made importable.

In certain cases, foreign exchange was also allocated for the importation of commodities falling under the banned categories and importable items.

To ease the burden arising from the cost-push pressure of rising prices of imports, a number of industries were granted exemption (through the BAP) from marginal deposit requirements. Importations of raw materials and machinery & equipment of the wood industry, textile mills, poultry feed manufacturers and fertilizer manufacturers were given full exemption. Also, marginal deposit requirements on L/Cs opened for the importations of BOI-registered industries and the importations of EC and EP categories by the food processing industry were reduced to 25 per cent.

Regulations issued by different government agencies directly related to exports were implemented through various Memoranda to Authorized Agent Banks (MAAB). Such regulations were as follows:

1. Executive Order No. 425, imposing premium duties on certain export products in addition to the export tariff as provided for in Presidential Decree No. 230.

2. Letter of Instruction No. 167, directing the adoption of a simplified export procedure for enterprises registered with the Export Processing Zone Authority.

3. Sugar Quota Administration Circular Letter No. 51, enjoining all Agent Banks not to give due course to foreign sales of Philippine sugar without prior clearance in writing from the Sugar Quota Administration.

4. NEDA Resolution No. 9 (series 75) — setting the floor prices at which domestic procurement of copra and coconut oil for export may be purchased from local producers and the floor of export prices of the same commodities. This resolution, however, was rescinded later.

5. Executive Order No. 434 — temporarily lifting export and premium duties on wood products.

6. Banning exportation of Canton fiber pursuant to Section B of RA 3470 prohibiting exportation of raw materials to be needed for the promotion of cottage industries.

Regulations on Other Invisibles

Several measures were adopted by the Central Bank in 1974 to further ensure the maximum inflow of foreign exchange from invisibles into the banking system. Periodic examinations were conducted on books of account of establishments identified as regular exchange earners. Under Circular-Letter of the Governor, dated November 11, 1974, tour operators, travel agencies and hotels handling travel tours or chartered groups in the Philippines were asked to minimize or eliminate dollar-salting practices.

Additional establishments were granted authority to operate as foreign exchange dealers of the Central Bank, increasing the number of foreign exchange dealers from 246 to 346 as of the end of this year. Consequently, foreign exchange earnings from identified foreign exchange earners increased by 25 per cent to \$627 million from \$504 million last year.

The Central Bank also started implementing Circular No. 393 which called for evaluation and approval, in consultation with the Board of Investments, of royalty/licensing agreements. Central Bank approval under said circular gives the privilege of full remittance of royalty fees earned under such agreements. A total of 287 requests were filed with the Central Bank, of which 69 were approved; the rest were either referred to the Board of Investments or returned to the parties concerned for failure to meet certain requirements.

To hasten the processing and approval of applications for the purchase of foreign exchange for travel abroad, the Central Bank delegated authority to authorized agent banks.

Foreign Currency Deposit System

Mixed trends characterized the movement of foreign currency deposits in 1974. From \$465 million at the end of 1973, deposits declined to \$458 million in January and went further down to \$433 million in February. The trend was reversed in March as deposits reached a high of \$510 million, due mainly to fresh deposits made by a syndicate of foreign banks, which were to be used for loans to resident firms. From April to August, deposits fluctuated between \$495 million and \$526 million. Thereafter, an average monthly increase of \$20 million was registered until they reached a peak of \$614 million at the end of the year. Likewise, the number of deposits rose by 5,262 or 10.7 per cent to 54,566 at end-1974.

The re-opening of the swap window of the Central Bank may have contributed to the increase in deposits though only new deposits funded by inward remittances were allowed to be swapped. During the year, swap applications under open-ended arrangements amounting to \$28 million were approved by the Central Bank, of which \$15 million were availed of.

Foreign currency loans backed by deposits under Circular No. 343 to export-oriented firms rose to \$111 million in 1974, from \$34 million in 1973.

Of the total outstanding deposits as of the end of 1974, \$603 million or 98 per cent were in U.S. dollars, \$8.4 million or 1.4 per cent in Swiss francs, \$2.3 million or 0.4 per cent in Deutsche marks and \$0.6 million or 0.1 per cent in Pound sterling. Classified by type, about \$540 million or 88 per cent of total foreign currency accounts were time deposits and \$72 million or 12 per cent were savings deposits and the rest in demand and trust accounts.

The minimum interest rates paid by commercial banks during the year ranged from 6 per cent to 9-3/8 per cent, while maximum rates were between 6 per cent and 14 per cent per annum.

B. OPERATIONS AS FISCAL AGENT OF THE GOVERNMENT

Issuance and Placement of Government Securities

Total transactions in government securities rose by almost 60 per cent on an annual basis, reaching P29,659 million by end-December 1974. A big portion or 68 per cent of total sales and purchases during the year was effected with non-Central Bank investors while the CB portfolio and CB-administered funds accounted for the residual.

Meanwhile, in net terms, the P4,081 million difference between Central Bank sales (P16,870 million) and purchases (P12,789 million) resulted in a 40 per cent annual increase in total government security holdings of all parties which totalled P14,288 million by end-1974 (please see Table 1). A major portion (59 per cent) of the increment was absorbed by entities outside the Central Bank; the residual, by the CB portfolio and CB-administered funds.

Holdings of non-Central Bank entities (P9,107 million) increased by P2,394 million or 36 per cent. This was mainly accounted for by public enterprises and banks whose investments in government debt instruments rose by P1,018 million and P812 million, respectively. It should be noted, moreover, that foreign holdings rose by 248 per cent due to sales abroad of Philippine Treasury bonds (denominated in Kuwait dinars).

Central Bank holdings by end-1974 (P5,181 million) likewise rose by 48 per cent on an annual basis. The increment resulted from net additions to the CB-portfolio and to the Sinking Bond Fund balances which more than offset the net unloading of issues by the Securities and Stabilization Fund and other government trust funds. The higher growth rate exhibited by Central Bank holdings raised its share of total government securities outstanding held from 34 per cent (1973) to 36 per cent by end-1974. Conversely, the non-Central Bank investors' share deteriorated from 66 per cent to 64 per cent.

Sale of original issues (P8,905 million) which comprised 54 per cent of government securities sold by the Central Bank during the year rose by 36 per cent on an annual basis. Redemption of outstanding issues (P4,824 million), on the other hand, accounting for 38 per cent of total Central Bank purchases, was 12 per cent higher than the previous year level.

Collection of Taxes

Total collection of taxes through authorized agent banks amounted to P9,239 million in 1974, P3,264 million or 55 per cent more than the previous year performance. The dramatic 513 per cent or P1,472 million improvement in export duty receipts accounted for the biggest share (45 per cent) of the increment to total tax collections. The high level of export tax collections at P1,759 million, in turn, reflected big increases in world prices of some of the country's principal exports, especially from the latter part of 1973 to the first quarter of the current year. Further, collections of customs duties, taxes and licenses (P2,766 million) and internal revenue taxes (P4,711 million) likewise rose on an annual basis, by 57 per cent and 30 per cent, respectively. Stabilization tax receipts, on the other hand, representing previously uncollected accounts fell to P2.4 million.

Item	(Million Pesos)	
	1974	1973
Customs duties, taxes and licenses	2,766.1	1,763.6
Internal revenue taxes	4,711.1	3,618.5
Export duty	1,759.1	286.9
Stabilization tax	2.4	305.5
TOTAL	9,238.7	5,974.5

Debt Servicing

The P792 million paid as interest on government securities was nearly twice the previous year level. This resulted chiefly from larger issues of Treasury bills and CBCIs and from the sale of Treasury bonds during the current year.

Interest outlay on national government and government corporation issues, which rose by 70 per cent, aggregated P481 million; P138 million was spent for short-term, P115 million for medium-term and P228 million for long-term obligations.

Meanwhile, interest payments on CBCI issues increased by 174 per cent, aggregating P331 million for the whole year of 1974. The bigger interest expense was due not only to larger regular and special issues but also to the flotation of the new CBCI concessional series.

**TABLE 35. CENTRAL BANK TRANSACTIONS IN
GOVERNMENT SECURITIES**
(Million Pesos)

	Value of Securities Held Jan. 1, '74	Central Bank Sales	Central Bank Purchases	Value of Se- curities Held Dec. 31, '74	Increase or De- crease
T O T A L	<u>10,207.2</u>	<u>16,869.6^a</u>	<u>12,789.1^b</u>	<u>14,287.7</u>	<u>4,080.5</u>
I. Outside of Central Bank	<u>6,712.7^c</u>	<u>11,311.4</u>	<u>8,917.5</u>	<u>9,106.6</u>	<u>2,393.9</u>
A. Banks other than the Central Bank	4,326.9	6,863.6	6,051.5	5,139.0	812.1
B. Public Enterprises	1,462.7	2,964.0	1,946.0	2,480.7	1,018.0
C. Private Enterprises and Individuals	892.7	1,372.0	914.1	1,350.6	457.9
D. Foreign Holdings	30.4	111.8	5.9	136.3	105.9
II. Central Bank	<u>3,494.5^c</u>	<u>5,558.2</u>	<u>3,871.6</u>	<u>5,181.1</u>	<u>1,686.6</u>
A. Central Bank Portfolio	<u>2,592.4</u>	<u>3,205.6</u>	<u>1,682.4</u>	<u>4,115.6</u>	<u>1,523.2</u>
1. Open Market Operations	—	3,116.9	1,682.4	—	—
2. Interfund Transfers	—	88.7	—	—	—
B. Bond Sinking Fund	<u>695.6</u>	<u>173.8</u>	<u>—</u>	<u>869.4</u>	<u>173.8</u>
1. Open Market Operations	—	173.8	—	—	—
2. Interfund Transfers	—	—	—	—	—
C. Securities Stabilization Fund (SSF)	<u>187.1</u>	<u>2,098.2</u>	<u>2,104.4</u>	<u>180.9</u>	<u>— 6.2</u>
1. Open Market Operations	—	2,058.2	1,983.5	—	—
2. Interfund Transfers	—	40.0	120.9	—	—
D. Other Government Trust Funds	<u>19.4</u>	<u>80.6</u>	<u>84.8</u>	<u>15.2</u>	<u>— 4.2</u>
1. Open Market Operations	—	80.6	77.0	—	—
2. Interfund Transfers	—	—	7.8	—	—

a/ Of the total sales, original issues amounted to ₱8,904.5 million.

b/ Total purchases included the amount of ₱4,873.8 million for the redemption of outstanding issues.

c/ Revised, to exclude DBP bonds and Land Bank bonds.

TABLE 36. COMPARATIVE STATEMENT OF INTEREST PAYMENTS
ON VARIOUS OUTSTANDING GOVERNMENT SECURITIES
December 31, 1973 and 1974
(Million Pesos)

Type of Security	1974	1973	Increase (Decrease)
TOTAL	791.5	396.3	395.2
Issues of National Government and Government Corporations	480.9	283.0	197.9
Short-term (T-Bills)	138.5	88.4	50.1
Medium-Term	114.7	85.9	28.8
Treasury Certificate of Indebt- edness/ACCFA Notes	16.7	7.2	9.5
Treasury Notes	95.9	78.7	17.2
EPZA Bonds	2.1	—	2.1
Long-Term	227.7	108.7	119.0
PW&ED/Socio-Econ. Bonds	46.7	51.0	(4.3)
NPC Bonds	20.5	18.3	2.2
NAWASA Bonds	21.1	18.3	2.8
MWD/NIA Bonds	16.2	15.6	0.6
IPMG/NLC Bonds	1.0	0.6	0.4
RP Replacement Bonds	4.3	4.3	—
Land Bank Capital Bonds	0.4	0.4	—
RP External Loan Bonds	1.0	0.2	0.8
Premyo Savings Bonds	1.0	—	1.0
Treasury Bonds	115.5	—	115.5
Issues of the Central Bank	310.6	113.3	197.3
CBCI Regular Series	188.8	91.8	97.0
CBCI Special Series	59.2	21.5	37.7
CBCI Concessional Series	62.6	—	62.6

C. SUPERVISION OF BANKS AND SAVINGS & LOAN ASSOCIATIONS

Opening of the New Banks/Branches

The Central Bank supervised a total of 1,845 financial institutions, which total reflected a net increase of 88 new banking units and branches during the year.

The newly-established branches, agencies or extension offices consisted of 7 development banks and 13 savings and loan associations. The number of commercial banks and branches/extension offices, however, decreased by 26 with the merging of four commercial banks into two new banking corporations and the closure of a commercial bank and its branches in mid-1974. On the other hand, 61 new rural banks were licensed to operate in 1974 under the Central Bank's 5-year program of establishing more rural banks throughout the country.

TABLE 37. NUMBER OF FINANCIAL INSTITUTIONS IN OPERATION UNDER
THE SUPERVISION OF THE CENTRAL BANK
1973 and 1974

Type of Institution	1974	1973
TOTAL	1,845	1,757
Commercial Banks	799a	825a
Head Offices	36	39
Branches/Agencies & Extension Offices	763	786
Savings & Mortgage Banks ¹	76	63
Head Offices	11	11
Branches/Agencies & Extension Offices	65	52
Development Banks	135	128
Head Offices	34	32
Branches/Agencies & Extension Offices	101	96
Rural Banks	704	628
Savings & Loan Associations	118	105
Head Offices	100	98
Branches/Agencies & Extension Offices	18	7
Building & Loan Associations	7	7
Land Bank of the Philippines	1	1
Regional Offices	1	—
Philippine Amanah Bank	5	—
Head Office	1	—
Branches	4	—

a/ This total excludes sub-offices (money shops) and representative offices.

1/ Including Postal Savings Bank.

Examination

The Central Bank conducted 1,226 examinations as against the 1,133 undertaken during the preceding year. Of this number, 662 examinations were made on commercial and thrift banking institutions and building and loan associations including a finance company and an investment house.

With the establishment of more regional unit banks, the number of examinations conducted on rural banks was higher by 74 compared with 1973.

Thirty-five entities (31 banking and 4 other financial institutions) were placed under Central Bank management, receivership and/or liquidation. Eighteen (18) of this number were rural banks, excluding 4 others which were fully rehabilitated during the year by the Central Bank.

TABLE 38. EXAMINATIONS CONDUCTED BY THE CENTRAL BANK
1973 and 1974

Type of Institution	No. of Exam. Conducted	
	1974	1973
TOTAL	1,226	1,133
Commercial Banks	437	477
Savings & Mortgage Banks	50	28
Development Banks	86	68
Rural Banks	564	490
Savings & Loan Associations	82	66
Building & Loan Associations	5	4
Other Banking Institutions	2	—
Non-Bank Financial Institutions	2	—

Training Program/Technical Assistance

Various training courses and seminars were held by the Central Bank to acquaint personnel of banking institutions with pertinent laws and regulations and to provide them with fundamental skills in banking.

In cooperation with other government agencies in the on-going national farm production programs (e.g., "Masagana 99" and "Palagad"), the Central Bank, through its basic, special and supervised farm credit courses, continued to be prominently involved in the extension of technical assistance to rural banks. It conducted special training courses in rural banking for a total of 833 participants and provided on-the-job training to 66 personnel of newly-established rural banks. Among those who attended the special training courses were 68 participants from South Vietnam, Khmer, India and Indonesia under the third-country special training program on rural banking.

The Bank's policy of developing necessary skills among savings and loan association personnel netted 212 successful trainees in the 10 special, basic and on-the-job training courses held during the year.

The Central Bank also coordinated with the Development Academy of the Philippines (DAP) which conducted 9 sessions under the Executive Development Program for rural bankers and executives of stocks savings and loan associations.

Savings Campaign

With the full support and cooperation of various banking institutions, the Central Bank Committee on Savings¹ built on the momentum generated by the National Savings for Progress Campaign launched in min-1973 under Proclamation No. 1155^a.

1/ As the implementing operational arm of the National Savings Commission created by Executive Order No. 415, June 29, 1974.

a/ Designating June 29, 1973—June 29, 1974 as Savings Consciousness Year.

By year-end 1974, total savings and time deposits of the banking system grew by 14.3 per cent to ₱8.7 billion, from the ₱7.6 billion of December 1973. Significantly, time deposits grew at a faster rate (18 per cent) than savings deposits (9½ per cent) during June-December 1974. The stronger growth of the former could be attributed to, among other factors, the raising of the ceilings on interest rates on deposits during the latter part of 1974 in favor of longer-term placements.

With the shifting emphasis of the Program from urban centers to the rural areas, the Central Bank launched a regional kick-off campaign in November 1974 in San Fernando, La Union. A series of undertakings, with the municipality as a focal point, were undertaken as part of a month-long saturation drive to mobilize savings in the region.

1. The release of the maiden issue of the National Commission on Savings' quarterly newsletter, *Savings for Progress*, conceived as a regular vehicle of information between the Central Bank and those involved in the Program;

2. The publication of a primer on savings;

3. The attitude-and-preference survey conducted to (a) gauge the savings habits of the people and their awareness of the government's savings mobilization campaign and (b) make such survey the basis for determining appropriate measures for subsequent programs.

TABLE 38. TOTAL PESO SAVINGS AND TIME DEPOSITS OF BANKING INSTITUTIONS¹
1973 and 1974
(Amount in Million Pesos)

Institution	Amount			Per Cent Change		
	Dec. 31, 1973 (1)	June 30, 1974 (2)	Dec. 31, 1974 (3)	June '74 over Dec. '73	Dec. '74 over June '73	Dec. '74 over Dec. '73
TOTAL	7,588.5	7,864.4	8,677.3	3.6	10.3	14.3
Commercial Banks	6,138.3	6,208.2	6,880.1	2.1	9.8	12.1
Thrift Banks	1,025.6	1,102.7	1,258.6	7.5	14.1	22.7
Savings Banks	809.2	850.6	957.0	5.1	12.5	18.3
Private Dev. Banks	116.1	129.8	151.8 ^a	11.8	16.9	30.7
Stock SLA's	100.3	122.3	149.8	21.9	22.5	49.4
Rural Banks	424.6	493.5	538.6 ^b	16.2	9.1	26.8

1/ Excluding marginal deposits, special savings and time deposits (rural banks), interbank deposits, government deposits, foreign currency deposits and deposits of non-operating banks (including Phil. Postal Savings Bank)

2/ Preliminary Reports of two banks as of November 1974.

b/ As of October 1974.

SOURCES OF BASIC DATA: Consolidated Statements of Condition of Banking Institutions.

CB—IBRD Agro-Industrial Program

The Central Bank continued to expand the financing operations during the year of rural banks by making available to the latter the second and third credit lines of \$22 million (Loan 1010 PH) and \$12.5 million (Loan 607 PH), respectively, from the IBRD. Loan 607 was fully availed of as early as June 30, 1974. The availments from Loan 1010 PH, however, amounted to \$2.2 million as of December 31, 1974.

Total Central Bank releases to rural banks under the Agro-Industrial program amounted to ₱89.7 million during 1974 consisting of ₱79.3 million for farm development, ₱6.4 million for fisheries development; and ₱3.7 million for livestock development and other small scale industries.

Other Financial Assistance

The Central Bank remained as the largest single contributor to the Rural Bank Trust Fund from which the government draws its funds to provide counterpart capital support to rural banks. Total Central Bank releases amounted to ₱68.5 million or 67 per cent of the total ₱102 million releases to the Fund as of December 31, 1974.

D. SUPERVISION OF NON-BANK FINANCIAL INTERMEDIARIES

A total of 711 non-bank financial institutions, having aggregate resources of ₱9,794.9 million as of December 31, 1974, submitted reports to the Central Bank regarding the results of their operations and financial conditions. These institutions were broken down as follows: investment houses, 13; financing companies, 133; fund managers, 133; investment companies, 13; securities dealers/brokers, 100; lending investors, 18; and pawnshops, 301.

Upon recommendation by the Office of Non-Bank Financial Intermediaries (ONBFI), the Bank granted authority to 25 entities to engage in quasi-banking functions during the year under review.

To promote a sound and orderly financial intermediation, the Bank issued various rules and regulations in 1974. Among the important features were the following: physical delivery of deposit substitute instruments together with the underlying securities; reserve requirement on deposit substitute liabilities; review by the Central Bank of all plans involving the commingling of funds for the purpose of placements in the money market; minimum capital requirement; standardization of deposit substitute instruments; and review by the Central Bank of all promotional campaigns. In addition, the Bank conducted physical verification of deposit substitutes and examination of books of accounts (including supporting records and documents) of some non-bank financial intermediaries.

E. CURRENCY ISSUE AND CLEARING

As of December 31, 1974, net currency issue of the Central Bank amounted to ₱4,975 million, reflecting an increment of 24.6 per cent over the 1973 level. Unissued currency likewise rose by 862.3 per cent to ₱4,117 million. The Bank completed the demonetization project with ₱3,240 million (representing 98 per cent of the total currency note issue outstanding as of July 1, 1973) withdrawn from circulation. Foreign currency exchanges increased by 125.2 per cent. Securities held by the Bank for safekeeping as collateral from various financial institutions went up by 57.2 per cent to ₱3,595 million.

Over-all clearing operations of the Bank during the year involving a total of 27,547,050 checks amounted to ₱399.2 billion. Of the total number, 81.5 per cent or 25,209,185 were local checks having an aggregate value of ₱388.4 billion.

F. REGIONAL OPERATIONS

Regional operations of the Central Bank during 1974 afforded supporting facilities to rural economic development. The operations (through its offices in La Union, Cebu City and Davao City) consisted of cash receipts and disbursements, loans and credits, purchases and sales of government securities, revenue collections for the National Government and clearing of local and out-of-town checks.

Of significance, the Regional Offices of the Bank granted a total of ₱128.2 million in loans from November 1, 1973 to December 31, 1974 under the "Masagana 99" Rice Production Program. Likewise, the Bank extended credits through other supervised credit programs and regular rediscounting amounting to ₱227.3 million. During the year, revenue collections amounted to ₱292.8 million while servicing of deposits and withdrawals of commercial bank branches, rural banks and Treasury field cashiers totalled ₱1,168.5 million and ₱1,139.0 million, respectively. Open market operations recorded a ₱3.8 million sales and ₱0.7 million purchases.

G. ADMINISTRATIVE OPERATIONS

In 1974, the Bank's Planning Group undertook for Management various management planning and control operations in the form of organizational studies, budgetary studies, equipment valuation and other special projects which resulted in overall work performance improvements such as programming, scheduling, determining manpower requirements and improved structural and/or staffing patterns. A total of 34 organizational studies undertaken by the Group included the creation of the Office of Non-Bank Financial Intermediaries under the Supervision and Examination Sector and of 16 sub-departmental organizational units.

The Personnel Management Group implemented improved recruitment and selection measures which included the holding of open competitive examinations to fill up certain positions in the Bank and the

installation of a register of qualified applicants as the basis for new appointments. The same Group reviewed and evaluated all positions and position classification in the Bank and conducted salary surveys on government and financial institutions and private companies. A continuing activity, in-training seminars and induction/orientation courses, with special emphasis on bank examination and supervision and involving 917 participants and 34,415 direct training manhuors, were held in 1974. For the first time, complete physical, medical and dental examinations were conducted by the Medical Unit on 1,726 Bank personnel during the year.

Further decentralization was achieved in administrative management through the separation of the Medical and Dental Unit on February 22, 1974 and the Building Maintenance Office on September 20, 1974 from the Administrative Department as integral units operating under the same Sector.

H. FINANCIAL CONDITION

Total assets of the Central Bank continued to expand through 1974, amounting to ₱21,273.6 million at year-end and registering an increment of 44.3 per cent over the 1973 level. The expansion was largely brought about by the ₱3,577.6 million increase in international reserve as well by increased credit operations by the Bank.

The Bank's expanded credit portfolio was reflected in its outstanding loans/advances which stood at ₱3,428.5 million on December 31, 1974, having posted an increase of 110.5 per cent over the 1973 year-end level. Of this total, about 75 per cent went to commercial and rural banks, a substantial portion of which showed the extent of the Bank's involvement in financing the Masagana Rice Production Program.

Further, an increase of 19.1 per cent in domestic securities from the 1973 level of ₱3,578.9 million was obtained, the bulk of which securities were the National Government's Treasury notes and bonds.

Among the Bank's important liabilities, the "Currency Issue" account which consists of notes and coins issued, reached a level of ₱4,975.5 million on December 31, 1974, higher by 24.6 per cent compared to the 1973 figure. Notes issued moved up by ₱950.5 million while coins issued rose by ₱33.0 million.

Deposit liabilities of the Central Bank consisted of demand deposits from banking institutions operating in the Philippines, international monetary and development institutions (such as IMF, IBRD, IDA, and ADB), the Treasurer of the Philippines and government instrumentalities, as well as other deposits under the administration of the Bank. At the end of 1974, these deposit liabilities grew by 41.8 per cent from the 1973 level to reach ₱7,138.5 million of which amount, deposits of the Treasurer of the Philippines and the banking system constituted a large portion of the total. Foreign currency deposits of banks rose from \$142.8 million in 1973 to \$790.4 million in 1974, reflecting an increase of 33.3 per cent.

TABLE 39. COMPARATIVE STATEMENT OF CONDITION OF THE
CENTRAL BANK
(Million Pesos)

I t e m	1 9 7 4	1 9 7 3	Increase or (Decrease)
ASSETS:			
International Reserves	10,629.5	7,051.9	3,577.6
Domestic Securities	4,144.7	3,478.9	665.8
Loans and Advances	3,428.5	1,628.5	1,800.0
Special Account — Foreign			
Exchange Differentials	1,361.2	1,626.7	(265.5)
Account to Secure Coinage	34.5	34.5	—
Government Note — Treasury			
Certificate Account	27.3	27.3	—
Monetary Adjustment Account,			
Government Note	88.1	211.8	(123.7)
Bank Premises, Furniture			
and Equipment	321.9	197.1	124.8
Other Assets	1,237.9	488.0	749.9
TOTAL ASSETS	<u>21,273.6</u>	<u>14,744.7</u>	<u>6,528.9</u>
LIABILITIES:			
Currency Issue	4,975.5	3,992.1	983.4
Demand Deposits:			
Banking Institutions	2,629.7	2,022.7	607.0
National Government	3,367.7	1,799.1	1,568.6
International Monetary Fund	1,074.9	1,147.9	(73.0)
Other Deposits	66.2	66.1	0.1
Notes and Loans Payable	2,930.5	1,774.8	1,155.7
Allocation of Special Drawing			
Rights	439.5	422.4	1,466.1
CB Certificate of Indebtedness	4,006.5	2,540.4	1,466.1
CB Certificate of Indebtedness			
(Foreign Currency)	595.6	101.1	494.5
Revaluation of International			
Reserves	311.9	308.8	3.1
Other Liabilities	549.4	257.9	291.5
TOTAL LIABILITIES	<u>20,947.4</u>	<u>14,433.3</u>	<u>6,514.1</u>
NET WORTH:			
Capital	10.0	10.0	—
Surplus	283.2	278.9	4.3
Reserve for Currency Insurance	5.2	4.8	0.4
Reserve for Refund of Margin Fee	0.3	0.3	—
Undivided Profits	27.5	17.4	10.1
TOTAL NET WORTH	<u>326.2</u>	<u>311.4</u>	<u>14.8</u>
TOTAL LIABILITIES & NET WORTH	<u>21,273.6</u>	<u>14,744.7</u>	<u>6,528.9</u>

Foreign loans payable showed a balance of \$409.8 million as of December 31, 1974, 57 per cent more compared to the year-ago level.

Finally, Central Bank Certificates of Indebtedness (inclusive of US\$ denominated series) totalled P4,602.1 million on December 31, 1974, increasing by 74.2 per cent over the 1973 figure.

The Bank's net worth reflected a P15 million accretion arising from the annual accumulation of surplus at the rate of 25 per cent of net profit plus the revaluation of gold and other assets. This raised the capital account to P326.2 million, up by 4.8 per cent over the previous year's level of P311.4 million.

APPENDIX ON

MAJOR LEGAL AND ADMINISTRATIVE MEASURES OF ECONOMIC SIGNIFICANCE ADOPTED BY THE GOVERNMENT AND THE MONETARY BOARD DURING 1974

EXECUTIVE ORDERS

MALACAÑANG
MANILA

EXECUTIVE ORDER No. 424

MODIFYING THE RATES OF IMPORT DUTY ON CERTAIN IMPORTED
ARTICLES AS PROVIDED UNDER REPUBLIC ACT NO. 1937,
OTHERWISE KNOWN AS THE TARIFF AND CUSTOMS CODE OF
THE PHILIPPINES, AS AMENDED.

Pursuant to the powers vested in me by Section 401 of Republic Act
No. 1937, as amended, I, FERDINAND E. MARCOS, President of the Phil-
ippines, do hereby direct and order:

SECTION 1. The articles specifically listed hereunder as classified under
Section 104 of Republic Act No. 1937 shall pay the following rates of import
duty:

Tariff Heading No.	Description of Articles	Rate of Duty
29.23	Single or complex oxygen function amino- compounds:	
	A. Articles not included in sub-heading B hereof.	ad val. 10%
	B. Glutamic acid and monosodium glu- tamate	ad val. 50%
40.11	Rubber tyres, tyre cases, interchangeable tyre threads, inner tubes and tyre flaps, for wheels of all kinds:	
	A. For aircraft, tractors and earth moving equipment.	ad val. 30%

	B. Other.....	ad val. 50%
41.02	Bovine cattle leather (including buffalo leather) and equine leather except leather falling within Heading No. 41.06, 41.07 or 41.08;	
	A. Chrome-wet-blue hides and skins.	ad val. 10%
	B. Other.....	ad val. 50%
47.01	Pulp derived by mechanical or chemical means from any fibrous vegetable material:	
	A. Long-fibered pulp in rolls, sheets, blocks, slabs, cakes, shapes and similar forms unfit for use except as raw material for paper or paperboard manufactures.	ad val. 20%
	B. Other.....	ad val. 50%
51.04	Woven fabrics of man-made fibers (continuous), including woven fabrics of monofil or strip of Heading No. 51.01 or 51.02:	
	A. Tire cord fabrics or tire woven fabrics.	ad val. 30%
	B. Other.....	ad val. 70%
54.02	Ramie, raw or processed but not spun; ramie noils and waste (including pulled or garnetted rags).	ad val. 20%
74.03	Wrought bars, rods, angles, shapes and sections, of copper; copper wire:	
	A. Articles not included in sub-headings B and C hereof.	ad val. 10%
	B. Round copper rods and bars.	ad val. 30%
	C. Tinned copper wire (excluding wire of copper-based metal alloys) and bare wire; plated or coated with gold or silver.	ad val. 50%
84.24	Agricultural and horticultural machinery for soil preparation or cultivation (for example, ploughs, harrows, cultivators, seed and fertilizer distributors); lawn and sports ground rollers:	
	A. Articles not included in sub-heading B hereof.	ad val. 10%
	B. Animal drawn; walking tractor implements.	ad val. 30%
84.41	Sewing machines; furniture specially designed for sewing machines; sewing machine needles:	
	A. Head parts and head accessories; sewing machine needles; Pitman complete and parts thereof; head assembly of	

	industrial sewing machines.	ad val. 20%
	B. Other.	ad val. 70%
84.50	Gas-operated welding, brazing, cutting and surface tempering appliances:	
	A. Component parts of manually operated gas welding, brazing, cutting and surface tempering appliances imported under prior authorization of the Board of Investments under a progressive manufacturing program.	ad val 10%
	B. Other.	ad val. 30%
85.19	Electrical apparatus for making and breaking electrical circuits, for the protection of electrical circuits, or for making connections to or in electrical circuits (for example, switches, relays, fuses, lightning arresters, surge suppressors, plugs, lampholders and junction boxes); resistors, fixed or variable (including potentiometers), other than heating resistors; printed circuits; switchboards (other than telephone switchboards and control panels;	
	A. Component parts of magnetic starters and circuit breakers imported with prior authorization of the Board of Investments under a progressive manufacturing program.	ad val. 10%
	B. Other.	ad val. 50%
87.02	Motor vehicles for the transport of persons, goods or materials (including sports motor vehicles, other than those of Heading No. 87.09):	
	A. x x x	
	B. x x x	
	1. x x x	
	2. x x x	
	3. x x x	
	C. x x x	
	D. Components, parts and/or accessories imported from one or more countries for assembly of passenger cars by participants in the progressive car manufacturing program upon prior authorization and certification of the Board of Investments.	ad val. 30%
87.14	Other vehicles (including trailers), not mechanically propelled, and parts thereof:	
	A. Trailers and parts and accessories there-	

	of.	ad val. 30%
	B. Other.	ad val. 70%
98.05	Pencils (other than pencils of Heading No. 98.03), pencil leads, slate pencils, crayons and pastels, drawing charcoals and writing and drawing chalks; tailor's and billards chalks;	
	A. Pencil leads, rubber erasers and metal ferrules for pencil manufacture; tailor's chalk.	ad val. 30%
	B. Other.	ad val. 50%

SEC. 2. After the expiration of thirty (30) days from the issuance of this Order, all the above-described articles entered or withdrawn from warehouse, in the Philippines, for consumption shall be subject to the rates of import duty herein prescribed.

SEC. 3. Any unwarranted increase in the prices of local products benefited by these tariff changes may be sufficient ground for the revocation of such tariff changes.

Done in the City of Manila, this 22nd day of January, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:
(SGD.) ALEJANDRO MELCHOR
Executive Secretary

- 0 -

EXECUTIVE ORDER NO. 425

IMPOSING PREMIUM DUTY ON CERTAIN EXPORT PRODUCTS IN ADDITION TO EXPORT TARIFFS PROVIDED FOR UNDER REPUBLIC ACT NO. 1937, OTHERWISE KNOWN AS THE "TARIFF AND CUSTOMS CODE", AS AMENDED BY PRESIDENTIAL DECREE NO. 230.

Pursuant to the powers vested in me by Section 515 of Republic Act No. 1937, as amended by Presidential Decree 230, I, FERDINAND E. MARCOS, President of the Philippines, do hereby direct and order that:
SECTION 1.

In addition to the export duties, herein referred to as basic rate, levied under Section 514, Title III, Book I of R.A. No. 1937, as amended by P.D. No. 230, there shall be levied, assessed and collected a premium duty on the

difference between the current price as established by the Bureau of Customs and the base price of the products as established in Section II hereof in accordance with the following schedule:

<i>Export Products</i>	<i>Premium Duty</i>
WOOD PRODUCTS	
(1) Logs, including poles	30%
(2) Lumber	20%
(3) Veneer, face and core	20%
(4) Plywood	20%
MINERAL PRODUCTS	
(1) Metallic ores and concentrates	
(a) Copper	30%
(b) Iron	20%
(c) Chromite	20%
(2) Non-metallic	
(a) Clinker, cement	20%
(b) Portland cement	20%
PLANT AND VEGETABLE PRODUCTS	
(1) Coconut	
(a) Copra	30%
(b) Desiccated coconut	20%
(c) Copra meal or cake	20%
(d) Coconut oil	20%
(2) Sugar and sugar products	
(a) Centrifugal sugar	20%
(b) Molasses	20%

Should the current price of any export product be below the established base price, then only the basic rate prescribed under P.D. No. 230 shall be applied.

Sec. 2. Initially, the base prices upon which the premium duty shall be levied shall be eighty *per centum* (80%) of the F.O.B. value of the exports established by the Bureau of Customs for February 1974. The National Economic and Development Authority shall, from time to time, review and establish such base prices taking into account, among others, the cost conditions in the various industries.

Sec. 3. This Order shall take effect immediately.

Done in the City of Manila, this 17th day of February, in the Year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President

By the President:

Republic of the Philippines

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

EXECUTIVE ORDER NO. 434

TEMPORARILY LIFTING THE PROVISIONS OF SECTION 514, TITLE III, BOOK I OF REPUBLIC ACT NO. 1937, AS AMENDED AND THOSE OF EXECUTIVE ORDER NO. 425, SERIES OF 1974, WITH RESPECT TO WOOD PRODUCTS

Pursuant to the powers vested in me by Section 515, entitled: 'Flexible Clause', of Republic Act No. 1937, as amended by Presidential Decree No. 230, I, FERDINAND E. MARCOS, President of the Philippines do hereby direct and order that:

SECTION 1. Any provision of law, decree, executive order, or rules and regulations to the contrary, notwithstanding, the provisions of Section 514, Title III Book I, of Republic Act No. 1937, as amended, fixing the basic rate of export duties and collecting the same from the F.O.B. value of wood products; as well as those of Executive Order No. 425, series of 1974, levying, assessing and collecting a premium duty on the difference between the current price and the base price of the same commodities, are hereby temporarily lifted: **Provided**, That said provisions may later on be restored by the President of the Philippines, as the circumstances may warrant, upon the recommendation of the National Economic and Development Authority.

SECTION 2. This order shall take effect and shall be implemented immediately.

Done in the City of Manila, this 2nd day of October, in the Year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(SGD.) ROBERTO V. REYES
Acting Executive Secretary

PRESIDENTIAL DECREES

**MALACAÑANG
MANILA**

PRESIDENTIAL DECREE NO. 378

AMENDING PRESIDENTIAL DECREE NO. 168 ON THE REPLACEMENT AND DEMONETIZATION OF THE CURRENCY NOTE ISSUE OUTSTANDING AS OF JULY 1, 1973.

WHEREAS, the period for exchanging the currency note issue of the Central Bank of the Philippines outstanding as of July 1, 1973 with "ANG BAGONG LIPUNAN" notes ended on January 2, 1974 under Presidential Decree No. 168 dated April 2, 1973;

WHEREAS, some of our people were unable to exchange the currency notes called in for replacement on or before the deadline date;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, do hereby order and decree that Section 1 of Presidential Decree No. 168 is hereby amended to read as follows:

"SECTION 1. The Currency note issue of the Central Bank of the Philippines outstanding as of July 1, 1973, is hereby called in for replacement commencing on the said date and shall be exchanged by the Central Bank at par with notes which bear, or be overprinted with, the legend "ANG BAGONG LIPUNAN". During the six-month period beginning July 1, 1973, notes not yet surrendered for replacement shall remain legal tender. AFTER THIS PERIOD, THEY SHALL CEASE TO BE LEGAL TENDER BUT MAY BE EXCHANGED AT PAR AND WITHOUT CHARGE IN THE CENTRAL BANK AND BY AGENTS DULY AUTHORIZED BY THE CENTRAL BANK FOR THIS PURPOSE UP TO FEBRUARY BR, 1974. AFTER THE LATTER DATE, the notes which have not been exchanged shall cease to be a liability of the Central Bank and shall be demonetized. The Central Bank shall likewise demonetize all the notes which have been surrendered for replacement."

This Decree shall take effect immediately:

Done in the City of Manila, this 21st day of January, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President

By the President:

Republic of the Philippines

(SGD.) ROBERTO V. REYES
Assistant Executive Secretary

PRESIDENTIAL DECREE NO. 381

**REQUIRING THE APPROVAL OF THE PHILIPPINE TOURISM
AUTHORITY ON CERTAIN DEVELOPMENT PROJECTS AND LOANS
APPLIED FOR TO FINANCE THEIR CONSTRUCTION. ETC.**

I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1 dated September 21, 1972, as amended, do hereby order and decree.

SECTION 1. Any provision of existing laws, decrees, or rules to the contrary notwithstanding, no development project for tourism purposes shall be undertaken by any person without the prior approval of the Philippine Tourism Authority, in accordance with the policies and guidelines prescribed by the Department of Tourism.

SECTION 2. No loan or loans shall be extended by any financial institution to any person to finance the establishment, construction, rehabilitation, management and/or operation of any development project for tourism purposes without the prior approval of the Philippine Tourism Authority, in accordance with the policies and guidelines prescribed by the Department of Tourism.

SECTION 3. The Board of the Philippine Tourism Authority shall promulgate the necessary rules and regulations in accordance with the policies and guidelines prescribed by the Secretary of Tourism to implement and carry out effectively the purpose, spirit and objective of this decree.

SECTION 4. Any person violating or causing another to violate any provision of this decree or of the rules and regulations promulgated by the Philippine Tourism Authority pursuant to the next preceding section shall suffer the penalties provided under Section 4-B of Presidential Decree No. 189, as amended.

SECTION 5. This decree shall take effect immediately.

DONE in the City of Manila, this 24th day of January, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(SGD.) ROBERTO V. REYES
Assistant Executive Secretary

PRESIDENTIAL DECREE NO. 383

**AMENDING SECTION EIGHTEEN OF REPUBLIC ACT
NUMBERED FIVE THOUSAND ONE HUNDRED EIGHTY SIX
OTHERWISE KNOWN AS THE INVESTMENT INCENTIVES ACT.**

WHEREAS, recent development, particularly the rise in the costs of oil and its by products is expected to result in changes in the cost structure of industries making it necessary for the Board of Investments to undertake a detailed review and examination of the desirability of each investment area and project listed in the Investment and Export Priorities Plans;

WHEREAS, the above task will take sometime to be accomplished making it difficult for the Board of Investments to submit the Investment and Export Priorities Plans within the deadline provided for in the Investment Incentives Act;

WHEREAS, in order to give the Board of Investments ample time to study the exigencies presently confronting the country's industries and in order to provide for similar contingencies in the future, it is necessary that the President be authorized to extend the period for the submission of the Investment and Export Priorities Plan as provided in R.A. No. 5186.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, do hereby order and decree the following measure:

The first paragraph of Sec. 18 of Republic Act numbered five thousand one hundred eighty six is hereby amended to read as follows:

"Sec. 18. Preferred and Pioneer Areas of Investment. - Within one hundred twenty (120) days after its organization and not later than the end of January of every year thereafter, the Board of Investments shall submit to the President, through the National Economic and Development Authority, an Investment Priorities Plan as defined in Section three, paragraph (K) of this Act; Provided, That the deadline for such submission may be extended by the President upon recommendation of the National Economic and Development Authority."

This Decree shall take effect immediately.

Done in the City of Manila, this 29th day of January, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

PRESIDENTIAL DECREE NO. 385

REQUIRING GOVERNMENT FINANCIAL INSTITUTIONS TO FORECLOSE, MANDATORILY ALL LOANS WITH ARREARAGES, INCLUDING INTEREST AND CHARGES, AMOUNTING TO AT LEAST TWENTY PERCENT (20 %) OF THE TOTAL OUTSTANDING OBLIGATION.

WHEREAS, the government financial institutions, particularly the Philippines National Bank and its subsidiary the National Investment and Development Corporation, the Development Bank of the Philippines, the Government Service Insurance System, and the Social Security System, are the largest individual mobilizers of savings and investment capital in the country;

WHEREAS, these institutions have a large and important role to play in the economic development of the country by reason of the magnitude of the resources they command for financing essential and high-priority programs and projects;

WHEREAS, the loans and investment made by these institutions in favor of private projects and enterprises reflect the trust and confidence placed by these institutions in the ability and willingness of the recipients to use such funds efficiently and faithfully in pursuing the projects being financed and to manage their affairs in such a manner as to enable them to pay back their loans and investments to these institutions on due dates together with the income and charges thereon;

WHEREAS, borrowing or obtaining investment funds from these government financial institutions is not a demandable right but is a privilege enjoyed by the recipients of such funds.

WHEREAS, borrowers or recipients of investment funds from these financial institutions have a clear legal and moral obligation to repay their obligations to these institutions on due dates;

WHEREAS, a number of large borrowers from these institutions have long records of failure to pay their obligations when due;

WHEREAS, said long-standing delinquencies deny said financial institutions of substantial cash inflow which could otherwise be used to finance other development projects for the benefit of the whole country;

WHEREAS, borrowers who accumulate large arrearages have already received to the fullest extent the most lenient and patient consideration that government financial institutions can afford to give;

WHEREAS, the government financial institutions prejudiced by such borrowers should not be unreasonably hampered in their efforts to recover their loans and investments in order to rechannel the same to new or additional projects that further enhance the development of the country;

WHEREAS, it has been the experience of government financial institutions that their efforts to recover their large loans and investments are frequently prevented or delayed by action brought to the courts by such borrowers;

WHEREAS, in many of foreclosure/collection cases brought to court, legal niceties and technicalities are invoked in their own favor by delinquent borrowers to cover and distract the court, attention away from the undeniable and compelling fact of their delinquencies with government financial institutions;

WHEREAS, one of the grounds usually invoked by delinquent borrowers in seeking restraining orders and/or injunctions from the courts to block the foreclosure by government financial institutions on their loans are alleged discrepancies between the accounting records of the creditor and the debtor with respect to the amount of the outstanding obligations of the debtor, when as a matter of fact the arrearages have reached such proportions as to render said discrepancies insignificant;

WHEREAS, it has been shown by the experience of government financial institutions that in instances where extrajudicial foreclosure on large loans is successfully pursued, the assets, aside from land, that form part of the foreclosed collaterals, including buildings, machinery, equipment, materials, furniture and fixtures, are usually pilfered or lost rendering it necessary that the foreclosing government creditor have a writ of possession issued in its favor without delay after the foreclosure auction sale; and

WHEREAS, the accumulation of such large delinquencies by borrowers from government financial institutions are not in accord with the principle of discipline being instilled in the people and promoted by the New Society.

NOW, THEREFORE, I, FERDINAND E. MARCOS, PRESIDENT OF THE PHILIPPINES, by virtue of the powers vested in me by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines and pursuant to Proclamation No. 1081 dated September 21, 1972, as amended by Proclamation No. 1104 dated September 22, 1972, as amended, in order to effect the early collection of delinquent loans from government financial institutions and enable them to continue effectively financing the development needs of the country; and in accordance with desired policies of achieving changes and reforms in the social and economic structure of our society, hereby order and decree:

SECTION 1. It shall be mandatory for government financial institutions, after the lapse of sixty (60) days from the issuance of this Decree, to foreclose the collaterals and/or securities for any loan, credit, accommodation, and/or guarantees granted by them whenever the arrearages on such account, including accrued interest and other charges, amount to at least twenty percent (20 %) of the total outstanding obligations, including interest and other charges, as appearing in the books of account and/or related records of the financial institution concerned. This shall be without prejudice to the exercise by the government financial institutions of such rights and/or remedies available to them under their respective contracts with their debtors, including the right to foreclose on loans, credits, accommodations and/or guarantees on which the arrearages are less than twenty percent (20%).

SECTION 2. No restraining order, temporary or permanent injunction shall be issued by the court against any government financial institution in any action taken by such institution in compliance with the mandatory foreclosure provided in Section 1 hereof, whether such restraining order, temporary or permanent injunction is sought by the borrower(s) or any third party or parties, except after due hearing in which it is established by the borrower and admitted by the government financial institution concerned that twenty percent (20 %) of the outstanding arrearages has been paid after the filing of foreclosure proceedings.

In case a restraining order or injunction is issued, the borrower shall nevertheless be legally obligated to liquidate the remaining balance of the arrearages, paying ten percent (10 %) of the arrearages outstanding as of the time of foreclosure, plus interest and other charges, on every succeeding thirtieth (30th) day after the issuance of such restraining order or injunction until the entire arrearages have been liquidated. These shall be in addition to the payment of amortizations currently maturing. The restraining order or injunction shall automatically be dissolved should the borrower fail to make any of the above-mentioned payments on due dates, and no restraining order or injunction shall be issued thereafter. This shall be without prejudice to the exercise by the government financial institutions of such rights and/or remedies available to them under their respective charters and their respective contracts with their debtors, nor should this provision be construed as restricting the government financial institutions concerned from approving, solely at its own discretion, any restructuring, recapitalization, or any other arrangement that would place the entire account on a current basis, provided, however, that at least twenty percent (20%) of the arrearages outstanding at the time of the foreclosure is paid.

All restraining orders and injunctions existing as of the date of this Decree on foreclosure proceedings filed by said government financial institutions shall be considered lifted unless finally resolve by the court within sixty (60) days from date hereof.

SECTION 3. Upon the application for foreclosure of the collateral of delinquent borrowers, whether judicially or extrajudicially, by any government financial institution, the court and/or officials concerned shall immediately act and give priority to the same and schedule the publication thereof within five (5) days from receipt of the application, the auction sale to be held not later than ten (10) days from the date of the last publication. The Certificate of Sale must be issued on the date of sale and the same must be registered by the Register of Deeds concerned not later than five (5) days after submission of the Certificate of Sale.

SECTION 4. As a result of foreclosure or any other legal proceedings wherein the properties of the debtor which are foreclosed, attached, or levied upon in satisfaction of a judgment are sold to a government financial institution, the said properties shall be placed in the possession and control of the financial institution concerned, with the assistance of the Armed Forces of the Philippines whenever necessary. The Petition for Writ of Possession shall be acted upon by the court within fifteen (15) days from the date of filing.

SECTION 5. The government financial institutions are hereby directed to report to the Office of the President any official who delays the proceedings as provided herein or who violates any of the provisions of this Decree. Actions taken pursuant to the provisions of this Decree shall, likewise, be reported by the government financial institution concerned to the Monetary Board, through the Governor, Central Bank of the Philippines, in accordance with such schedule, forms and procedures as the Governor may prescribe for the purpose.

SECTION 6. This Decree shall take effect immediately.

DONE in the City of Manila, this 31st day of January, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) **FERDINAND E. MARCOS**
President
Republic of the Philippines

BY AUTHORITY OF THE PRESIDENT:

(SGD.) **ALEJANDRO MELCHOR**
Executive Secretary

- 0 -

PRESIDENTIAL DECREE NO. 388

CREATING THE PHILIPPINE SUGAR COMMISSION

WHEREAS, the economic and social stability of the Philippines depend in large measure upon the sustained growth and development of the sugar industry;

WHEREAS, due to chronic imbalance in production, the sugar industry is barely able to meet the requirements of the domestic and United States export markets while foregoing entirely new opportunities in the world market, notwithstanding the large investments made in new milling facilities in recent years with government support;

WHEREAS, it has become necessary to organize a mechanism to give sustained support to the sugar industry in all phases of its operations and potentials, and moreover, to provide conditions needed for its continued development and growth with the end in view of optimizing its effectiveness as a factor for social and economic good;

WHEREAS, our sugar limitation laws when enacted were based on conditions existing in the years 1933 and 1935 and may no longer be realistic and adequate to promote the development and stability of the sugar industry;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, and upon the recommendation of the sugar planters, millers and traders of the Philippines through their associations and cooperatives, do hereby decree and order the creation of the Philippine Sugar Commission as follows:

SECTION 1. *Title of the Decree.* — This Decree shall be known as the Philippine Sugar Commission Decree.

SECTION 2. *Declaration of Policy.* — It shall be the policy of the state to promote the integrated development and stabilization of the sugar industry so that it can properly discharge its economic and social responsibilities and contribute its share in the development of the national economy.

SECTION 3. *Philippine Sugar Commission.* — In order to carry out the foregoing policy there is hereby created the Philippine Sugar Commission hereinafter referred to as the Commission which shall be organized within thirty (30) days after the issuance of this Decree.

The Commission shall be composed of one Commissioner, who shall serve as Chairman of the Commission and six (6) Associate Commissioners.

The Chairman and all the members of the Commission shall be appointed by the President of the Philippines. The members of the Commission shall be Filipino citizens, with sufficient experience in the sugar industry, and of proven honesty, integrity and recognized competence.

The Chairman and members of the Commission shall hold office for a term of four years unless sooner removed for cause.

The Commissioner shall receive an annual compensation of Fifty Thousand (P50,000) Pesos and a commutable representation and transportation allowance of One Thousand (P1,000) Pesos monthly. The Associate Commissioners shall receive an annual compensation of Forty Thousand (P40,000) Pesos and a commutable representation and transportation allowance of One Thousand (P1,000) Pesos monthly.

The Commission shall meet in regular session twice a month. It may be called by the Chairman to a special session as the need arises.

SECTION 4. *Powers and Functions.* — The Commission shall have the following powers and functions:

(a) To establish policies pertaining to all phases of the sugar industry; and to inquire into other aspects of the sugar industry with a view to improving existing methods and systems;

(b) To enter into contracts, transactions, or undertakings of whatever nature which are necessary or incidental to its functions and objectives with any natural or juridical person and with any foreign government, private corporations, partnerships, institutions, or private individuals;

(c) To levy and collect charges, fees and contributions to finance its operation, for social amelioration of the workers in the industry, and for such other purposes as the Commission may determine. The amount of the fees, charges and contributions shall be subject to approval by the President.

(d) To act as the single buying and selling agency of sugar on the quedan-permit level, in order to promote the effective merchandising and distribution of sugar;

(e) To determine the floor-ceiling price of sugar which will insure the planters, millers, traders, wholesalers and retailers a fair return on their investments; *Provided*, That such floor-ceiling price of sugar for any crop year shall be the total anticipated cost of production per picul of sugar as determined by the Commission plus a corresponding reasonable margin of profit set by the Price Control Council or any other government agency authorized to regulate prices of commodities and services after taking into consideration the effects of devaluation and other economic factors affecting production, processing, marketing, transportation and other related expenses including the minimum wage for agricultural and industrial workers: *Provided, further*, That the floor-ceiling price established by the Commission shall be adjusted in direct relation to significant changes in the cost of production as determined by the Commission and the Consumers Price Index prepared by the Central Bank of the Philippines;

(f) To promulgate rules and regulations to carry into effect the provisions of this Decree and impose penalties for the violation thereof;

(g) To assume control and/or supervision of any sugar mill or refinery that has failed to meet its financial and other contracted obligations for two years or has become inefficient in its operation;

(h) To organize cooperatives of sugar planters throughout the Philippines; and

(i) To perform such other functions as are necessary and incidental to its purposes and objectives.

The Commission shall submit to the President of the Philippines periodic reports of its surveys, studies and investigations together with its recommendations, for appropriate action.

SECTION 5. Chief Executive Officer. — The Chairman of the Commission shall be its Chief Executive Officer. The Chairman shall, on behalf of the Commission, have the direction and control of the business of the Commission.

Among others, as Executive Officer, the Chairman shall have the following powers and duties:

(1) To prepare an organizational plan of the office and plantilla of personnel subject to the approval of the Commission;

(2) To direct and manage the affairs and business of the Commission subject to its supervision and control;

(3) To appoint necessary personnel and fix their salaries, which shall be exempt from the provisions of laws, rules and regulations on Wage and Position Classification except, clerical and janitorial services, with the approval of the Commission.

In case of absence or temporary incapacity of the Chairman, the Chairman shall designate from among the Commissioners an acting Chairman.

SECTION 6. There shall be Social Welfare Office under the Office of the Chairman.

SECTION 7. *Capitalization, Special Fund of the Commission, Development and Stabilization Fund.* There is hereby established a fund for the Commission for the purpose of financing the growth and development of the sugar industry and all its components, stabilization of the domestic market including the foreign market to be administered in trust by the Commission and deposited in the Philippine National Bank derived in the manner herein below cited from the following sources:

a. Stabilization fund shall be collected as provided for in the various provisions of this Decree.

b. Stabilization fees shall be collected from planters and millers in the amount of Two (P2.00) Pesos for every picul produced and milled for a period of five years from the approval of this Decree and One (P1.00) Peso for every picul produced and milled every year thereafter, *Provided:* That fifty (P0.50) centavos per picul of the amount levied on planters, millers and traders under Section 4(c) of this Decree will be used for the payment of salaries and wages of personnel, fringe benefits and allowances of officers and employees for the purpose of accomplishing the efficient performance of the duties of the Commission, *Provided, further:* That said amount shall constitute a lien on the sugar quedan and/or warehouse receipts and shall be paid immediately by the planters and mill companies, sugar centrals and refineries to the Commission.

SECTION 8. *Audit Personnel.* — The Chairman, Commission on Audit shall appoint his representative to the Commission and the necessary personnel to assist him. The salaries of the auditor and his personnel shall be determined and paid by the Commission. The affairs of the Commission shall be audited in accordance with law and pertinent rules and regulations. A report of audit for each fiscal year shall be submitted by the auditor to the Chairman, Commission on Audit, to the Commission and to the President of the Philippines.

SECTION 9. *Financing* — Until otherwise provided, the Commission shall continue to receive the proceeds of revenues and other impositions as are now granted by the law to the Philippine Sugar Institute and the Sugar Quota Administration.

SECTION 10. *Transitory Provisions.* — The Philippine Sugar Institute and the Sugar Quota Administration are hereby abolished and absorbed effective upon the organization of the Commission and all their assets, liabilities

ties and records shall be transferred to the Commission. The Commission may retain the personnel of said agencies as it may deem necessary. Those of the personnel who may not be retained shall be entitled to retirement benefits, otherwise they shall be granted gratuity to be determined by the Commission.

SECTION 11. *Miscellaneous Provision.* — All laws or parts thereof inconsistent with the provisions of this decree are hereby repealed or modified accordingly.

SEC. 12. *Effectivity.* — This decree shall take effect immediately.

Done in the City of Manila, this 2nd day of February, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS

President

By authority of the President;

Republic of the Philippines

(SGD.) ALEJANDRO MELCHOR

Executive Secretary

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PRESIDENTIAL DECREE NO. 418

RECONSTITUTING THE BUREAU OF THE CENSUS AND STATISTICS OF THE DEPARTMENT OF TRADE AS A NEW AGENCY UNDER THE ADMINISTRATIVE SUPERVISION OF THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY TO BE KNOWN AS THE NATIONAL CENSUS AND STATISTICS OFFICE.

WHEREAS, it is necessary to link directly the functions of the Bureau of the Census and Statistics with the requirements of national social and economic development planning;

WHEREAS, the National Economic and Development Authority, being the highest development planning body, is the logical focal point for securing the desired linkage that will give more development orientation in the operations of the Bureau of the Census and Statistics and make it serve more efficiently the requirements of development planning;

WHEREAS, to attain this objective, the organizational status and form of the Bureau of the Census and Statistics should be redefined and reconstituted under the administrative supervision of the National Economic and Development Authority;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution dated September 23, 1972, as amended, do hereby order and decree:

SECTION 1. The Bureau of the Census and Statistics of the Department of Trade is hereby reconstituted as a new agency to be known as the National Census and Statistics Office. The Office shall be transferred from the Department of Trade and placed under the administrative supervision of the National Economic and Development Authority.

SECTION 2. The Office shall be headed by an Executive Director and shall have the same organizational structure and functions prescribed for the Bureau of the Census and Statistics under the Integrated Reorganization Plan, as amended: *Provided, However*, That the Director General of the National Economic and Development Authority may make modifications thereon as may be necessary: *Provided, Further*, That except for the Executive Director and Assistant Executive Director who shall be appointed by the President, upon recommendation of the Director General of the National Economic and Development Authority, all other personnel of the Office shall be appointed by the Executive Director and shall be under his control and supervision: *Provided, Furthermore*, That the staffing pattern for high-level professional and technical personnel of the Office which shall be prepared for purposes of implementing the reorganization prescribed for the Bureau of the Census and Statistics under the Plan shall be reviewed and recommended for approval by the Director General of the National Economic and Development Authority: *Provided, Finally*, That the regular professional and technical personnel of the Office shall be exempt from the coverage of the classification and compensation plans of the Wage and Position Classification Office, and Civil Service rules and regulations.

SECTION 3. The present personnel complement of the Bureau of the Census and Statistics, together with its applicable appropriations, records, equipment and property shall be transferred to the Office herein created.

SECTION 4. The National Economic and Development Authority shall: (a) provide general policies and priorities which shall serve as the general framework for the statistical operations of the Office; (b) review and recommend for approval statistical programs and budgets for such programs, as recommended by the Office.

SECTION 5. The Office shall assist the Statistical Advisory Board and the National Economic and Development Authority in the formulation of a continuing comprehensive statistical program for the government and shall provide technical assistance and support to projects of other statistical agencies and institutions particularly those concerned with the improvement of economic statistics.

SECTION 6. This Decree shall take effect and shall be implemented immediately.

SECTION 7. All laws, executive orders, decrees, rules and regulations, or parts thereof, contrary to or inconsistent with the provisions of this Decree are hereby repealed, amended or modified accordingly.

Done in the City of Manila, this 20th day of March in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

PRESIDENTIAL DECREE NO. 428

AMENDING SECTION 29 OF PRESIDENTIAL DECREE NO. 389, AUTHORIZING THE EXPORTATION OF LOGS BEFORE JANUARY 1, 1976.

WHEREAS, Government has adopted a policy prohibiting the exportation of logs effective January 1, 1976 and encouraging the expansion of wood processing centers and the establishment of new ones, to process logs for domestic use as well as for exportation;

WHEREAS, certain economic problems are expected to arise concomitant to the implementation of the aforesaid policy, such as the reduction of foreign exchange earnings from log exports and expected difficulties on the part of local concessionaires in meeting prior export commitments.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby amend Section 29 of Presidential Decree No. 389, as follows:

"SEC. 29. Mandatory Wood Processing Requirements. — Unless otherwise modified by the President, the exportation of logs cut from public forests and other forested lands is hereby prohibited effective January 1, 1976. All log production thereafter shall be processed domestically.

"During calendar years 1974 and 1975, all logging concessionaires are authorized to export a maximum of eighty per centum (80 %) of their actual log production.

"The Department Head, in consultation with appropriate agencies, shall accelerate the expansion and rationalization of the wood processing industry, taking into consideration, whenever feasible, the report of the Presidential Committee on Wood Industries Development.

"A wood processing plant shall purchase logs only from authorized sources. A licensee who has no processing plant may enter into a contract with a wood processor for purposes of complying with the requirements of this Section, subject to approval by the Department Head upon recommendation of the Director."

DONE in the City of Manila, this 1st day of April, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

PRESIDENTIAL DECREE NO. 440

FURTHER AMENDING SECTION 105 OF THE TARIFF AND CUSTOMS CODE OF THE PHILIPPINES, AS AMENDED, EXEMPTING IMPORTATIONS OF AIRCRAFT FOR AGRICULTURAL PURPOSES, SPARE PARTS AND ACCESSORIES THEREOF FROM CUSTOMS DUTY.

WHEREAS, the Philippines is endowed with rich agricultural lands which need immediate development for food production;

WHEREAS, the Government is providing all possible incentives to further encourage investors to develop our vast agricultural resources;

WHEREAS, the use by agro-industrial entities and farmers of aircraft for agricultural purposes will hasten and maximize the development of our agricultural resources and increase production;

WHEREAS, incentives to encourage development of mineral resources already include the exemption from customs duties of aircraft imported for the development and exploitation of mineral resources while the incentives for agricultural development do not include this kind of exemption.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby amend Section 105 of the Tariff and Customs Code, as amended, to wit:

SECTION 1. Section One Hundred Five of Republic Act Numbered One Thousand Nine Hundred Thirty-Seven, otherwise known as the "Tariff and Customs Code of the Philippines" is further amended by amending paragraph "(v)" to read as follows:

"SEC. 105. Conditionally-free Importations. —

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"(v). Machineries, equipment, tools for production, plants to convert mineral ores into saleable form, spare parts, supplies, materials, accessories, explosives, chemicals, and transportation and communication facilities imported by and for the use of new mines and old mines which resume operations, when certified to as such by the Secretary of Agriculture and Natural Resources upon the recommendation of the Director of Mines, for a period ending five (5) years from the first date of actual commercial production of saleable mineral products: *Provided*, That such articles are not locally available in reasonable quantity, quality and price and are necessary or incidental in the proper operation of the mine; and aircrafts imported by agro-industrial companies to be used by them in their agricultural and industrial operations or activities, spare parts and accessories thereof."

SEC. 2. All laws, decrees, orders, rules and regulations inconsistent herewith are hereby repealed and/or modified accordingly.

SEC. 3 This Decree is hereby made part of the law of the land and shall take effect immediately.

Done in the City of Manila, this 22nd day of April, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

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PRESIDENTIAL DECREE No. 441

AMENDING SECTIONS 2801 AND 2802 OF THE TARIFF AND CUSTOMS CODE AS AMENDED BY PRESIDENTIAL DECREE NO. 34.

WHEREAS, the further development, improvement and maintenance of pier and port facilities will greatly enhance our national economic development;

WHEREAS, to enable the government to implement and sustain a massive, systematic and accelerated program on port development, construction and maintenance of port facilities, it becomes necessary to levy wharfage dues not only on imported and exported articles but on domestic articles transported at national ports as well, and thereby insure an equitable distribution of the costs of providing and maintaining port facilities;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby decree and order that Sections 2801 and 2802 of Republic Act No. 1937, otherwise known as the Tariff and Customs Code of the Philippines, as amended by Presidential Decree No. 34, shall be and are hereby further amended to read as follows:

“SEC. 2801. Definition. — Wharfage due is the amount assessed against the cargo of a vessel engaged in foreign or coastwise trade, based on the quantity, weight or measure received and/or discharged by such vessel. The owner or consignee of the article, or the agent of either, is the person liable for such charge.”

“SEC. 2802. Schedule of Dues. — There shall be levied, collected and paid as wharfage dues, on all articles imported or brought into the Philippines, a charge of eight (P8.00) pesos per gross metric tons; on articles exported from the Philippines, a charge of four (P4.00) pesos per gross metric ton and on domestic articles transported at national ports,

charge of one (P1.00) peso per gross metric ton: Provided, That in the case of logs, or flitches twelve inches square or equivalent cross-sectional area, or over, the charge shall be three (P3.00) pesos per cubic meter if exported from the Philippines and eighty centavos (P0.80) per cubic meter if transported at national ports, while in the case of iron sands and magnetites, ferrous and non-ferrous ores and concentrates, the charge shall be sixty centavos (P0.60) per gross metric ton, if exported from the Philippines and twenty centavos (P0.20) per gross metric ton if transported at national ports: Provided, further, That in case the articles imported into or exported from or transported within the Philippines are loaded or unloaded offshore, in midstream, or in private wharves where no loading or unloading facilities are owned and maintained by the government, the wharfage fees shall be fifty (50 %) percent of the rates provided for herein."

This Decree shall take effect on January 1, 1974.

Done in the City of Manila, this 25th day of April, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

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PRESIDENTIAL DECREE NO. 444

AMENDING CERTAIN SECTIONS OF REPUBLIC ACT NUMBERED THREE THOUSAND EIGHT HUNDRED AND FORTY-FOUR, AS AMENDED, ENTITLED "THE CODE OF AGRARIAN REFORMS IN THE PHILIPPINES".

WHEREAS, certain provisions of Republic Act Numbered Three Thousand Eight Hundred and Forty-Four were amended by Presidential Decree Numbered Two Hundred and Fifty-One in order to strengthen and revitalize the Land Bank of the Philippines and thus provide it with the means to effectively discharge its role as the financing arm of the Government for land reform;

WHEREAS, further modifications in Republic Act Numbered Three Thousand Eight Hundred and Forty-Four are necessary in order to improve the organizational and administrative structure of the Land Bank of the Philippines, as well as strengthen its capital base.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby decree and order;

SECTION 1. A new section is hereby added after section seventy-seven of Republic Act Numbered Three Thousand Eight Hundred and Forty-Four, to read as follows:

“Sec. 77—A. The provisions of their respective charters to the contrary notwithstanding, all government-owned or controlled corporations, including government financial institutions’ are authorized to invest in preferred shares of the Land Bank and/or accept those shares in exchange for any of their assets or properties under such terms and conditions as shall be agreed upon between the corporations or institutions concerned and the Land Bank.”

Sec. 2. Section eighty-six of the said Act is hereby amended to read as follows:

“Sec. 86. *The Board of Directors; Membership; Per Diem.* — The affairs and business of the Bank shall be directed and its property managed and preserved by a Board of Directors consisting of seven (7) members to be composed of the Secretary of Finance as Chairman, the President of the Bank as Vice-Chairman, the Secretary of Agrarian Reform and the Secretary of Labor as ex-officio members, and three members to be elected as hereinafter provided.

“Annually, on the first Tuesday after the first in December, the stockholders shall meet to take up, among others, the election of three (3) members of the Board of Directors for the succeeding year, each shareholder or proxy to be entitled to as many votes as he may have shares of stock registered in his name on the 31st day of October last preceding and held by him at the time of the election. The said three (3) members of the Board of Directors shall be elected preferably from the holders of the preferred shares depending on the outstanding amount of said shares, as follows: A) Not exceeding P50 million — One member; B) Exceeding P50 million but not over P100 million — Two members; and C) Exceeding P100 million — Three members.

“The Board shall convene as frequently as necessary to discharge its responsibilities properly, but shall meet at least once every two weeks. The Board may be convoked either by the Chairman or, in his absence, the Vice-Chairman.

“The presence of four (4) members shall constitute a quorum.

“All decisions of the Board shall require the concurrence of at least four (4) members.

“The Chairman and the members of the Board shall receive a per diem of two hundred fifty pesos for each session of the Board attended, but in no case to exceed two thousand pesos a month.”

Sec. 3. Section eighty-two of the same Act is hereby amended to read as follows:

"Sec. 82. Government Shares. — All shares of stock in the Bank subscribed or owned by the government shall not be entitled to participate in the income earned by the Bank from its investments and other operations, whether in the form of cash or stock dividends or otherwise. Amounts expended for the administration of the Bank shall not be deemed as a participation of the government in income: Provided, That the Bank may declare all its earnings accumulated prior to the issuance of preferred shares as stock dividends to the government as the sole shareholder of the Bank or in lieu of dividends, set aside said earnings as contributed surplus to serve as fund for the guaranteed dividend to preferred shareholders. The manner of distributing the surplus shall be determined by the Board of Directors."

Sec. 4. Repealing Clause. -- All laws, decrees, executive orders, rules and regulations, or parts thereof inconsistent with this Decree are hereby repealed and/or modified accordingly.

Sec. 5. Effectivity. — This Decree shall take effect immediately.

Done in the City of Manila, this 4th day of May, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

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PRESIDENTIAL DECREE NO. 450

AMENDING FURTHER SECTION FIVE (a) OF REPUBLIC ACT NUMBERED THREE THOUSAND SEVEN HUNDRED SEVENTY-NINE; AS AMENDED, OTHERWISE KNOWN AS "THE SAVINGS AND LOAN ASSOCIATION ACT"

WHEREAS, savings and loan associations have proved to be effective instruments in encouraging the savings habit of the people, especially among the low and middle-income groups and in providing additional credit facilities to households, consumers, small-scale entrepreneurs and home-builders;

WHEREAS, in addition to catering to the credit needs of households by providing personal finance and long-term financing for home building and development, stock savings and loan associations should also be harnessed to help in the financing of agricultural projects, as envisioned in the Land Reform Program;

NOW, THEREFORE, I, FERDINAND E. MARCOS, by virtue of the powers in me vested by the Constitution and in order to help effect the de-

sired changes and reforms in the social and economic structure of our society, do hereby order and decree the amendment of Republic Act No. 3779, as amended, as follows:

SECTION 1. Subsection (a) of Section five of Republic Act Numbered, Three thousand seven hundred seventy-nine, as amended, is hereby amended to read as follows:

“(a) To grant loans of not exceeding the amount deposited by the borrower plus his four month’s salary or regular income in the case of a permanent employee or wage earner, or seventy per cent of the fair market value of any property acceptable as collateral on first mortgage that he may put by way of security; *Provided*, That no loan shall have a maturity date of more than three years, except loans on the security of unencumbered real estate for the purpose of home building and home development which may be granted with maturities not exceeding twenty years and medium — or long-term loans to finance agricultural projects, subject to regulations prescribed by the Monetary Board: *Provided, further*, That in the case of a borrower who is a permanent employee or wage earner, the treasurer, cashier, or paymaster of the office employing him is authorized, the provisions of any existing law, rule and regulation to the contrary notwithstanding, to make deductions from his salary, wage or income pursuant to the terms of his loan, to remit deductions to the savings and loan association, and to collect such reasonable fee for his services as may be authorized by rules promulgated by the Monetary Board.”

SECTION 2. All acts and parts of Acts inconsistent with the provisions of this Decree are hereby repealed, amended or modified.

SECTION 3. This Decree shall take effect immediately.

DONE in the City of Manila, this 10th day of May, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

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PRESIDENTIAL DECREE NO. 474

PROVIDING FOR THE REORGANIZATION OF MARITIME FUNCTIONS IN THE PHILIPPINES, CREATING THE MARITIME INDUSTRY AUTHORITY, AND FOR OTHER PURPOSES:

WHEREAS, the efficient sea transport of raw materials, products, commodities and people is vital to the growth of the Philippine economy;

WHEREAS, the functions pertaining to the development and regulation of shipping enterprises are fragmented among various government agencies, resulting in inadequate and inefficient shipping facilities, dependence on external shipping interests, maldistribution of commodities, and piece-meal solutions;

WHEREAS, there is imperative need to modernize and expand the Philippine merchant fleet, and to rationalize and improve their operations in order to make them effective instruments in promoting domestic production, inter-island and overseas trade, price stabilization, and employment generation;

WHEREAS, it is urgently necessary to provide a strong organizational framework to effect the accelerated and integrated development and effective regulation of shipping enterprises;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, in order to effect the desired changes and reforms in the social, economic and political structure of our society, do hereby decree and order that the following be adopted and made part of the laws of the land:

SECTION 1. Title. -- This Decree shall be known as the Maritime Industry Decree of 1974.

SEC. 2. *Declaration of Policies and Objectives.* — It is hereby declared the policy of the State to accelerate the integrated development of the maritime industry of the Philippines to attain the following objectives: (a) To increase production and productivity in the various islands and regions of the archipelago through the provision of effective sea linkage; (b) To provide for the economical, safe, adequate and efficient shipment of raw materials, products, commodities and people; (c) To enhance the competitive position of Philippine flag vessels in the carriage of foreign trade; (d) To strengthen the balance of payments position by minimizing the outflow of foreign exchange and increasing dollar earnings; (e) To generate new and more job opportunities.

For the attainment of these objectives, the Government through the Maritime Industry Authority hereinafter created shall:

- (a) Adopt and implement a practicable and coordinated Maritime Program Industry Development which shall include, among others, the early replacement of obsolescent and uneconomic vessels; modernization and expansion of the Philippine merchant fleet, enhancement of domestic capability for shipbuilding, repair and maintenance; and the development of reservoir of trained manpower.
- (b) Provide and help provide the necessary; (i) financial assistance to the industry through public and private financing institutions and instrumentalities; (ii) technological assistance; and (iii) in general, a favorable climate for expansion of domestic and foreign investments in shipping enterprises; and

- (c) Provide for the effective supervision, regulation and rationalization of organizational management, ownership and operations of all water transport utilities and, other maritime enterprises.

SEC. 3. *Definition of Terms.* — The terms, as used in this Decree, shall have the following meaning, unless the context of the particular usage of the term indicates otherwise:

a. “Maritime Industry”, briefly referred to as “industry” in the broadest concept of the term. — All enterprises engaged in the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing and/or maintaining vessels, or component parts thereof; of managing and/or operating shipping lines, stevedoring arrastre and customs brokerage services, shipyards, drydocks, marine railways, marine repair shops, shipping and freight forwarding agencies and similar enterprises.

b. “Vessels” or “watercraft” — Any barge, lighter, bulk carrier, passenger ship, freighter, tanker, container ship, fishing boats or other artificial contrivance utilizing any source of motive power, designed, used or capable of being used as a means of water transportation operating either as a common contract carrier, including fishing vessels covered under Presidential Decree No. 43, except (1) those owned and/or operated by the Armed Forces of the Philippines and by foreign governments for military purposes, and (ii) bancas, sailboats and other waterborne contrivance of less than three gross tons capacity and not motorized.

c. “Philippine national” — A citizen of the Philippines; or a partnership or association wholly owned by and composed of citizens of the Philippines; or a corporation organized under the laws of the Philippines of which at least sixty per cent of the capital stock outstanding and entitled to vote is owned and held by Philippine citizens; or a trustee of funds for pensions or other employee retirement or separation benefits, where the trustee is a Philippine national and at least sixty per cent of the funds will accrue to the benefit of the Philippine nationals: *Provided*, That where a corporation and its non-Filipino stockholders own stock in an enterprise, at least sixty per cent of the members of the governing board of both corporations must be Philippine nationals.

d. “Philippine flag vessel” — A vessel or watercraft registered under Philippine laws.

e. “Foreign Flag vessel” — A vessel or watercraft registered under the laws of a country other than the Philippines.

f. “Philippine shipping companies” — Philippine nationals registered and licensed under the laws of the Philippines to engage in the business of overseas and/or domestic water transportation.

A. MARITIME INDUSTRY AUTHORITY

SEC. 4. *Maritime Industry Authority, Creation and Organization* — There is hereby created a Maritime Industry Authority, hereinafter referred to as the “authority”, under the Office of the President. It shall be composed

of a governing board of directors to be known as Maritime Industry Board and the Management.

The Authority shall have general jurisdiction and control over all persons, corporations, firms or entities in the maritime industry of the Philippines and shall supervise, regulate in accordance with this Decree.

The principal office of the Authority shall be in the Greater Manila Area. Regional or branch offices may be established at such other place or places within the Philippines as may be deemed necessary by the Board.

SEC. 5. *Maritime Industry Development Program.* — The Authority shall prepare and annually update a Ten-Year Maritime Industry Development Program, hereinafter referred to as "Program" which shall contain a rational and integrated development of the maritime industry. The Authority shall submit the same for approval by the President of the Philippines.

Upon approval of the Program by the President, all government departments, bureaus, agencies and instrumentalities shall implement the same within their respective jurisdictions. The Authority shall ensure that the approved program is being effectively implemented by the participating agencies. No government body or instrumentality shall adopt any policy or take course of action contrary to or inconsistent with the Program.

B. MARITIME INDUSTRY BOARD

SEC. 6. *Powers and Functions of the Board.* — The Maritime Industry Board shall have the following powers, functions, and duties, among others:

- a. To provide comprehensive policy guidance for the promotion and development of the maritime industry as provided for in this Decree;
- b. To promulgate and prescribe such promotional and developmental rules and regulations, standards, guidelines and procedures and recommend laws or measures as may be necessary for the growth and effective regulation of shipping enterprises;
- c. To formulate a comprehensive and practicable Maritime Industry Development Program for a ten-year period and review and update the same annually;
- d. To prescribe specific policies in the determination of just and reasonable passenger fares, freight rates and other charges relative to the operation of interisland vessels. Accordingly, the Board of Transportation shall exercise its rate fixing functions in accordance with such policies;
- e. To recommend to the President that the State, through such agency or agencies as the President may designate, purchase, lease, manage, operate or requisition any vessel, ship or shipping enterprise, for national security purposes, to meet emergency situations or when the national interest so requires;
- f. To approve contracts;
- g. To approve the organizational structure, staffing pattern, and budget of the Authority upon the recommendation of the Administrator;
- h. To appoint, discipline and remove, and determine the composition of the Authority technical staff and other personnel: *Provided, That all regular*

professional and technical personnel in the Authority shall be permanent and career status, but exempt from WAPCO and Civil Service rules and regulations: *Provided, further*, That the personnel shall be entitled to the benefits normally accorded to government employees, such as retirement, GSIS insurance, leave and similar matters: *Provided, furthermore*, That appointments of personnel in the management below the rank of section chief shall be made by the Administrator, in accordance with the approved budget and staffing pattern and shall be noted by the Board: *Provided, finally*, That the Board or the Administrator may engage on contractual basis or other arrangements for the temporary services, and fix the compensation of highly qualified professionals, experts technical advisers or consulting firms;

i. To adopt a common seal for the Authority which shall be juridically noticed, determine the exact location of its office, and prescribe the rules and regulations to govern its proceedings;

j. To recommend to the President, through the National Economic and Development Authority, the grant of necessary incentives for the development of shipping and other related maritime enterprises; and

k. To perform such acts as are proper and necessary to implement this Decree.

SEC. 7. Composition and Organization. — The Board shall be composed of eight members as follows: The Secretary of Trade, the Secretary of Public Works, Transportation and Communications, the Secretary of National Defense, the Executive Secretary, the Chairman of the Board of Investments, the Chairman of the Development Bank of the Philippines, the Chairman of the Board of Transportation and the Maritime Administrator. The Chairman of the Board shall be appointed by the President of the Philippines from among its members.

The officials next in rank to the regular members shall serve as permanent alternate members, except that, in the absence of the Chairman, the Board shall elect a temporary presiding officer. The alternate members shall elect a temporary presiding officer. The alternate members shall attend meetings of the Board and committees assigned to their principals and receive the corresponding per diems whenever their principal is absent or the said position is vacant.

The Board shall meet regularly once a month and may hold special meetings to consider urgent matters upon call of the Chairman or any three members thereof. A majority shall constitute a quorum for the transaction of business.

Each member shall receive a monthly commutable allowance of five hundred pesos and per diem of one hundred for every meeting of the Board or committee thereof actually attended: *Provided*, That the total amount of per diems which each may receive shall not exceed five hundred pesos a month.

C. MANAGEMENT

SEC. 8. Management Head. — The management of the Authority shall be vested in the Maritime Administrator for Planning and a Deputy Adminis-

trator for Operations hereinafter referred to as "Deputy Administrators".

SEC. 9. *The Maritime Administrator and Deputy Administrator.* -- The Maritime Administrator and Deputy Administrators shall be appointed by the President for a term of six years: *Provided*, That upon the expiration of their respective terms, they shall continue to serve until their successor shall have been appointed and qualified: *Provided, further*, That no vacancy shall be filled except for the unexpired portion of the term: *Provided, finally*, That the President may remove the Administrator and Deputy Administrators from office for cause upon recommendation of the Board.

The Maritime Administrator and Deputy Administrators shall be citizens of the Philippines, at least thirty-five years old on the date of their appointment, of good moral character, of recognized executive ability and competence in previous public or private employment, with adequate training and experience in economics, technology, finance, law, management, public utility, or in other phases or aspects of the maritime industry. Until otherwise fixed by the Board, the Administrator shall receive an annual salary of fifty thousand pesos and a monthly commutable allowance of two thousand pesos. Each Deputy Administrator shall receive an annual salary of forty thousand pesos and a monthly allowance of one thousand five hundred pesos.

The Administrators shall be directly responsible to the Board, and shall have powers, functions and duties as provided in this Decree. The Deputy Administrator shall be directly responsible to the Administrator, and their respective powers, functions and duties shall be determined by the Board, upon recommendation of the Administrator.

SEC. 10. *Authority to Administer Oath.* -- The Chairman of the Board, the Administrator, the Deputy Administrators, the Chief Legal Officer and heads of divisions of the Authority shall have the power to administer oaths for the transaction of official business.

SEC. 11. *General Powers and Functions of the Administrator.* -- Subject to the general supervision and control of the Board, the Administrator shall have the following general powers, functions and duties:

- a. To implement, enforce and apply the policies, programs, standards, guidelines, procedures, decisions and rules and regulations issued, prescribed or adopted by the Board pursuant to this Decree;
- b. To undertake researches, studies, investigations and other activities and projects, on his own initiative or upon instructions of the Board, and to submit comprehensive reports and appropriate recommendations to the Board for its information and action;
- c. To undertake studies to determine present and future requirements for port development including navigational aids, and improvement of waterways and navigable waters in consultation with appropriate agencies;
- d. To pursue continuing research and developmental programs on expansion and modernization of the merchant fleet and supporting facilitiesa-

king into consideration the needs of the domestic trade and the need of regional economic cooperation schemes; and

e. To manage the affairs of the Authority subject to the provisions of this Decree and applicable laws, orders, rules and regulations of other appropriate government entities.

SEC. 12. *Specific Powers and Functions of the Administrator.* — In addition to his general powers and functions, the Administrator shall:

a. Issue Certificate of Philippine Registry for all vessels being used in Philippine waters, including fishing vessels covered by Presidential Decree No. 43 except transient civilian vessels of foreign registry, vessels owned and/or operated by the Armed Forces of the Philippines or by foreign governments for military purposes, and bancas, sailboats and other watercraft which are not motorized, of less than three gross tons;

b. Provide a system of assisting various officers, professionals, technicians, skilled workers and seamen to be gainfully employed in shipping enterprises, priority being given to domestic needs;

c. In collaboration and coordination with the Department of Labor, to look into, and promote improvements in the working conditions and terms of employment of the officers and crew of vessels of Philippine registry, and of such officers and crew members who are Philippine citizens and employed by foreign flag vessels, as well as of personnel of other shipping enterprises, and to assist in the settlement of disputes between the shipowners and ship operators and such officers and crew members, and between the owner or manager of other shipping enterprises and their personnel;

d. To require any public water transport utility or Philippine flag vessels to provide shipping services to any coastal areas in the country where such services are necessary for the development of the area, to meet emergency sealift requirements, or when public interest so requires;

e. Investigate by itself or with the assistance of other appropriate government agencies or officials, or experts from the private sector, any matter within its jurisdiction, except marine casualties or accidents which shall be undertaken by the Philippine Coast Guard;

f. Impose, fix, collect and receive in accordance with the schedules approved by the Board, from any shipping enterprise or other persons concerned, such fees and other charges for the payment of its services;

g. Inspect, at least annually, the facilities of port and cargo operators and recommend measures for adherence to standards of safety, quality and operations;

h. Approve the sale, lease or transfer of management of vessels owned by Philippine Nationals to foreign owned or controlled enterprises;

i. Prescribe and enforce rules and regulations for the prevention of marine pollution in bays, harbors and other navigable waters of the Philippines, in coordination with the government authorities concerned;

j. Establish and maintain, in coordination with the appropriate government offices and agencies, a system of regularly and promptly producing,

collating, analyzing and disseminating traffic flows, port operations, marine insurance services and other information on maritime matters;

k. Recommend such measures as may be necessary for the regulation of the importation into and exportation from the Philippines of vessels, their equipment and spare parts;

l. Implement the rules and regulations issued by the Board of Transportation;

m. Compile and codify all maritime laws, orders, rules and regulations, decisions in leasing cases of court and the Authority's procedures and other requirements relative to shipping and other shipping enterprises, make them available to the public, and, whenever practicable to publish such materials;

n. Delegate his powers in writing to either of the Deputy Administrators or any ranking officials of the Authority: *Provided*, That he informs the Board of such delegation promptly: and

o. Perform such other duties as the Board may assign, and such acts as may be necessary and proper to implement this Decree.

SEC. 13. *Maritime Industry Manpower Needs*. The Authority shall establish and support a system of maintaining and developing a reservoir of trained manpower to meet the current and future needs of the industry. For the attainment of this objective, it shall undertake the following:

a. Evaluate, in collaboration with the Department of Education and Culture, the capability of maritime educational and training institutions and programs in the Philippines, including the Philippines Merchant Marine Academy, herein placed under the administrative supervision of the Authority, to supply shipping and shipyard manpower needs.

b. Inspect and evaluate periodically the standards, facilities and performance of the maritime educational and training programs of government and private schools and enterprises and recommend to the Department agencies such changes in the curriculum as may be necessary.

c. Conduct or arrange for the holding of pre-employment, on-the-job and other training programs to provide and upgrade shipping skills and techniques, with the cooperation and support of private enterprises and government agencies.

d. Provide incentives for education and training in shipping and ship-building fields, especially those which are not attractive to students such as naval architecture, including, scholarships and fellowships, in the Philippines or abroad, with liberal grants for the entire duration of the course, to be sponsored directly or arranged by the Administration.

SEC. 14. *Penalties*. — Any person who gives false or misleading data or information or willfully or through gross negligence, conceals or falsifies a material fact, in any investigation, inquiry or hearing, or other proceedings held pursuant to this Decree, shall be punished with imprisonment of not less than two nor more than six months and with a fine of not less than five hundred nor more than one thousand pesos: *Provided, however*, That if the false or misleading data or information shall have been given under oath, the maximum penalty for giving false testimony or perjury shall be imposed.

D. MISCELLANEOUS PROVISIONS

SEC. 15. *Auditor.* -- The Commission on Audit shall be the ex-officio Auditor of the Authority and it shall appoint its representative therein, who shall audit all accounts thereof.

SEC. 16. Reorganizational Changes. --

a. *Department of Trade.* -- The Shipping and Freight Study Unit of the Department of Trade is hereby transferred to the Authority together with its applicable appropriations, records, equipment, property and such personnel as may be necessary.

b. *Bureau of Transportation.* -- The powers and functions pertaining to the development and supervision of maritime shipping of the Bureau of Transportation for Water are hereby transferred to the Authority. Accordingly the Water Transportation Division of the Bureau is hereby abolished.

c. *National Development Company.* -- The powers and functions of the National Development Company relative to ship acquisition under Republic Act No. 1407, as amended, (Philippine Overseas Act of 1955) are hereby transferred to the Authority together with its applicable records, equipment and property.

In addition to the powers and functions herein transferred, balance of all appropriations, funds, accounts and notes receivable derived from shipping to companies, equipment, records and supplies are likewise transferred to the Authority.

SEC. 17. *Retention of the Functions and Powers of the Philippine Coast Guard.* -- Nothing in this Decree shall be constructed to affect or delimit the present functions and powers of the Philippine Coast Guard relative to maritime affairs. All such functions and powers of the Philippine Coast Guard are retained by it. Furthermore in the performance of its functions, especially in the classification and inspection of vessels, the Philippine Coast Guard will be assisted by the Authority. *Provided, That* within two years from the issuance of this Decree, the President may transfer to the Authority such regulatory functions of the Philippine Coast Guard pertaining to maritime affairs as may be necessary for the achievement of the aims and purposes of the Authority. The Authority shall coordinate with the Philippine Coast Guard in the exercise of supervision and regulation of the operations of water transport utilities.

SEC. 18. *Coordination with Other Agencies.* — The Authority shall coordinate with the Department of Labor, the Department of Education and Culture and the National Manpower and Youth Council in the exercise of its pertinent functions that have relation to the functions of the above-mentioned agencies, particularly as these pertain to the development of trained and qualified seamen of Philippine vessels.

In order to strengthen its coordinative functions, the Authority shall hire and train appropriate technical personnel which may be assigned to other government agencies involved in the implementation of laws, rules and regulations relative to maritime affairs.

SEC. 19. *Transitory Provision.* — Officials and employees of all existing offices or agencies which are abolished or reorganized under this Decree may be absorbed into the Authority on the basis of merit and fitness: *Provided*, That employees who shall be laid off by reason of this Decree shall be given gratuity equivalent to one month's salary for every year of service but in no case more than twenty-four months salary, in addition to all benefits to which they are entitled under existing laws and regulations.

To carry out the provisions of this Section there is hereby appropriated the sum of Five-Hundred Thousand Pesos out of the unappropriated funds in the National Treasury.

SEC. 20. *Appropriations.* — To carry out the provisions of this Decree, there is hereby appropriated the sum of two million pesos out of the funds in the National Treasury not otherwise appropriated. Thereafter, the succeeding appropriations of the Authority shall be included in the Annual Appropriations Act.

In addition to the above, the Authority is hereby authorized to retain fifty percent of its collections from fees, charges and fines to defray any deficiency in annual appropriations and to finance its other projects.

SEC. 21. *Repealing and Separability Clauses.* — All laws, decrees, order, rules and regulations, policies, programs, or parts thereof, which are inconsistent with any of the provisions of this Decree, are hereby repealed or modified accordingly.

If for any reason any section or provision of this Decree is declared to be unconstitutional or invalid, the other sections or provisions hereof, which are not affected thereby, shall continue in full force and effect.

SEC. 22. *Effectivity.* — This Decree shall take effect upon its promulgation: *Provided*, That these portions hereof which may require a transition period to assure the orderly transfer of powers and functions shall take effect as stated in the implementing details: *Provided, further*, That such implementing details shall be prepared by the Board, in consultation with the go-

vernment agency heads concerned, and submitted to the President for approval within four months after issuance of this Decree.

Done in the City of Manila, this 1st day of June, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS

President

By the President:

Republic of the Philippines

(SGD.) ALEJANDRO MELCHOR

Executive Secretary

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PRESIDENTIAL DECREE NO. 485

AMENDING CERTAIN SECTIONS OF REPUBLIC ACT NUMBERED FIFTY-ONE HUNDRED EIGHTY-SIX AS AMENDED, OTHERWISE KNOWN AS THE INVESTMENT INCENTIVES ACT, AND REPUBLIC ACT NUMBERED SIXTY-ONE HUNDRED THIRTY-FIVE AS AMENDED, OTHERWISE KNOWN AS THE EXPORT INCENTIVES ACT.

WHEREAS, to further ensure the sound development of the national economy, it is imperative that certain provisions of R.A. No. 5186 ("Investment Incentives Act") and R.A. No. 6135 ("Export Incentives Act") be amended;

WHEREAS, there are certain sectors of the industry, i.e., those engaged essentially in rendering services, such as public utilities, the growth of which is likewise indispensable to the sound development of the national economy;

WHEREAS, under the present provisions of the Investment Incentives Act, service industries are not eligible for registration thereunder;

WHEREAS, to encourage and hasten the establishment of facilities that are necessary for a balanced growth of the economy and the effective regional dispersal of industries, certain services to be listed in a Utilities Priorities Plan should be eligible for incentives upon registration with the Board of Investments;

WHEREAS, there is a further need to align the incentives and requirements of the Export Incentives Act with the Investment Incentives Act;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby order and decree amendments to Republic Act Numbered Fifty-One Hundred Eighty-Six, as amended, otherwise known as the Investment Incentives Act and Republic Act Numbered Sixty-One Hundred Thirty-Five, as amended, otherwise known as the Export Incentives Act, as follows:

SECTION 1. Subsections (b), (i), and (j) of Section 3 of Republic Act Numbered Fifty-One Hundred Eighty-Six are hereby amended to read as follows:

"Sec. 3. x x x x

(b) "Registered Enterprise" shall mean a corporation (1) incorporated, organized and existing under Philippine laws, (2) of which, except as provided in Section nineteen of this Act, at least sixty per cent (60 %) of the capital stock outstanding and entitled to vote is owned and held by Philippine Nationals, and at least sixty per cent (60 %) of the members of the Board of Directors are citizens of the Philippines, (3) engaged in a preferred area of investment, and (4) duly registered with the Board of Investments; *Provided, however,* That the term registered enterprise shall not include commercial banks, savings and mortgage banks, rural banks, savings and loan associations, building and loan associations, development banks, trust companies, investment banks, finance companies, brokers, and dealers in securities, consumers cooperatives and credit unions, and other business organizations whose principal purpose or principal source of income is to receive deposits, lend or borrow money, buy and sell or otherwise deal, trade or invest in common or preferred stocks, debentures, bond or other marketable instruments generally recognized as securities, or discharge other similar intermediary, trust or fiduciary functions; neither shall the term include business organization whose exclusive or principal purpose is to buy goods and merchandise and resell the same in substantially the same form in which bought.

(i) "*Measured Capacity*" shall mean the estimated additional volume of production or service which the Board determines to be desirable in each preferred and pioneer area of investment, in order to supply the needs of the economy at reasonable prices, taking into account the export potential of the area. Measured capacity shall not be less than the amount by which the measurable market demand exceeds the existing productive capacity in said preferred and pioneer areas nor shall measured capacity market demand as to foster or encourage overcrowding in any such area. For export market industries, the Board shall base measured capacity on the availability of domestic raw materials after deducting the needs of the domestic market therefor. In no case, however, shall measured capacity be construed so as to result in a monopoly in any preferred or pioneer area of investment which would unduly restrict trade and fair competition.

(j) "Tax Credit" shall mean any of the credits against taxes and/or duties extended to a registered enterprise by this Act, to evidence which a tax credit certificate shall be issued by the Secretary of Finance. Unless otherwise provided therein, the tax credit certificate may be used by the registered enterprise to pay taxes, duties, charges and fees due to the national government in connection with its registered operations. A tax credit certificate shall be non-transferable; it may be used by the registered enterprise only for as long as it enjoys the benefits and incentives provided for in this Act, but may not be used so as to result, in effect, in a refund."

SECTION 2. Section 3 of the same Act is hereby further amended by adding a new subsection (1) which reads as follows:

"(1) "*Public Utilities Priorities Plan*" shall mean the plan prepared by the Board in consultation with the Board of Transporta-

tion, Board of Power, Power Development Council, and other appropriate government agencies. Such plan shall be approved by the President upon recommendation of the National Economic and Development Authority (NEDA), which shall contain a listing of specific public utilities which can qualify for incentives under this Act, and which shall be supported by studies of existing and prospective regional demands for such services in the light of the level and structure of income, production, trade, prices and relevant economic and technical factors of the regions as well as the existing facilities to produce such service."

SECTION 3. Subsection (d) of Section 7 of the same Act is hereby amended to read as follows:

"(d) *Tax exemption on Imported Capital Equipment.* — Within seven (7) years from the date of registration of the enterprise, importations of machinery and equipment and spare parts shipped with such machinery and equipment shall not be subject to tariff duties and compensating tax: *Provided.* That said machinery, equipment and spare parts: (1) are not manufactured domestically in reasonable quantity and quality at reasonable prices; (2) are directly and actually needed and will be used exclusively by the registered enterprise in the manufacture of its products, unless prior approval of the Board is secured for the part-time utilization of said equipment in non-registered operations to maximize usage thereof, or the proportionate taxes and duties are paid on the specific equipment and machinery being permanently used for non-registered operations; (3) are covered by shipping documents in the name of the registered enterprise to whom the shipment will be delivered direct by customs authorities; and (4) the prior approval of the Board was obtained by the registered enterprise before the importation of such machinery, equipment and spare parts. For enterprises approved for registration by the Board after the effective date of this decree, which are engaged in new preferred non-pioneer activities, with total assets or projected total assets of five hundred thousand pesos (P500,000.00) or more for the first two years of commercial operations, the Board subject to the criteria to be formulated in consultation with the Secretary of Finance, and to the above enumerated conditions, shall in lieu of an exemption reduce partially the tariff duties and compensating tax on such machinery, equipment, and spare parts, and defer the payment of such reduced taxes and duties for a period not exceeding ten (10) years, after posting the appropriate bond as may be required by the Secretary of Finance. For replacement or modernization of existing facilities of pioneer and non-pioneer registered enterprises, or for expansion of projects with 20 % or greater return on equity, mere deferment in payment of taxes and duties as above provided shall be allowed without reduction thereof. In granting approval of importations under this paragraph, the Board shall require international bidding to be conducted by the end-user in Manila under its supervision; however, the Board may, in its discretion, dispense with this requirement if (1) there is, only one to the knowledge of the Board, equipment and spare parts to be exported or (2) the importation is caused by the expansion of the registered enterprises and such imports shall

be acquired from the same manufacturer who supplied the machinery, equipment, and spare parts being used by the registered enterprise or (3) the total cost of importation is less than one million dollars (\$1,000,000.00) or (4) the Board has other means of determining the reasonableness of the procurement cost. If the registered enterprise sells, transfers or disposes these machinery, equipment and spare parts without the prior approval of the Board within five (5) years from the date of acquisition, the registered enterprise shall pay twice the amount of the tax exemption given it. However, the Board shall allow and approve the sale, transfer, or disposition of the said items within the said period of five (5) years if made: (1) to another registered enterprise; (2) for reasons of proven technical obsolescence; or (3) for purposes of replacement to improve and/or expand the operations of the enterprise. In such cases, the transferee shall not be subject to the taxes and duties on the said equipment other than the deferred taxes, if any, if it will undertake an economic project substantially carrying out the objective for which such equipment has been imported, as determined by the Board."

SECTION 4. Section 9(b) of the same Act is hereby amended to read as follows:

"(b) *Reduced Income Tax.* — Registered enterprises shall be entitled for the first five (5) years from its registration, to deduct from its taxable income an amount equivalent to the sum of the direct labor cost and local raw materials utilized in the manufacture of its completely finished export products: *Provided, however,* That such deduction shall in no case exceed twenty-five per centum (25 %) of its total export revenue: *Provided, further,* That in case of traditional exports, the local raw material component shall not be included in computing the above deduction."

SECTION 5. The second paragraph of Section 10 of the same Act is hereby amended to read as follows:

"The above-mentioned financial institutions, to the extent allowed by their respective charters or applicable laws, shall contribute to the capital of a registered enterprise whenever the said contribution would enable the formation of a pioneer or other registered enterprise with at least sixty per cent (60 %) control by Philippine Nationals: *Provided,* That the shares representing the contribution of the said financial institutions shall be offered for public sale to Philippine Nationals through all the members of a registered Philippine stock exchange within a reasonable period after such acquisition."

SECTION 6. Section 16 of the same Act is hereby further amended by adding a new subsection (p) to read as follows:

"(p) Withdraw or cancel partially or totally, the incentives granted to a registered enterprise under Republic Act Numbered Fifty-One Hundred Eighty-Six or Republic Act Numbered Sixty-One Hundred Thirty-Five when the registered enterprise has a paid-up capital of at least five hundred thousand pesos (P500,000.00)

and earns for at least two (2) years profits from the registered operations in excess of thirty-three and one-third per cent (33-1/3 %) of equity even without incentives under the said laws.”

SECTION 7. The first and fourth paragraph of Section 18 of the same Act is hereby amended to read as follows:

“Sec. 18. *Preferred and Pioneer Areas of Investment.* — The Board of Investments shall submit to the President, not later than the end of January of every year, through the National Economic and Development Authority, an Investment Priorities Plan and Public Utilities Priorities Plan, as defined in Section 3(k) and (1) of this Act.

Considering the amount of investment capital which the Board may estimate to be available during any given year, the Board shall give priority to projects with the highest rates of return to the national economy. No project shall be included in the Investment Priorities Plan or Public Utilities Priorities Plan, nor declared a preferred area of investment, nor designated a pioneer area, unless it is shown to be economically, technically and financially sound after thorough investigation and analysis by the Board. In any of the areas declared preferred areas of investment, the Board may designate as pioneer areas the specific products, commodities and services that meet the requirements of Section three, paragraph (h) of this Act.”

SECTION 8. Section 23 of the same Act is hereby amended by deleting the first paragraph thereof to read as follows:

“Sec. 23. *Other Incentives Acts.* — A registered enterprise under this Act which is entitled to benefits under other laws shall be entitled, to the extent of its registered capacity, to such benefits granted under this Act as are not granted by said other laws and to such benefits granted under the latter as are not granted under the former.”

SECTION 9. Subsection (b) of Section 6 of Republic Act Numbered Sixty-One Hundred Thirty-Five is hereby amended to read as follows:

“(b) To be entitled to registration, an applicant must satisfy the Board that (1) he is a citizen of the Philippines, in case the applicant is a natural person, or in case of a partnership or any other association, it is organized under Philippine laws and that at least sixty per cent (60 %) of its capital is owned and controlled by citizens of the Philippines, or in case of a corporation or a cooperative, it is organized under Philippine laws and that at least sixty per cent (60 %) of the capital stock outstanding and entitled to vote is owned and held by Philippine Nationals as defined under Section 3(f) of R.A. 5186, and at least sixty per cent (60 %) of the members of the Board of Directors are citizens of the Philippines; (2) that it is engaged or proposes to engage in manufacturing,

processing or exporting export products listed in the export priorities plan, or tourism priorities plan, or if not so listed in the export priorities plan, that at least fifty per cent (50 %) of its sales are exports sales; or in case of a service exporter, that it is engaged or proposes to engage in rendering services payable in foreign currency, providing services to foreign tourists and foreign travelers in areas within the Tourism Priorities Plan and subject to the guidelines prepared by the Philippine Tourist Commission and the Board, or in exporting television or motion pictures or musical recordings produced or made in the Philippines; (3) that it is not engaged and will not engage in any of the activities reserved by the Constitution or the laws of the Philippines to Filipino citizens or corporations owned and controlled by Filipino citizens unless and until the applicant can fulfill the requirements of the Constitution or said laws; and (4) that if the applicant is engaged or proposes to engage in activities other than the manufacture, processing and exportation of export products, or in rendering services other than export services, it has installed or undertakes to install an adequate accounting system to segregate the investments, revenues, sales, receipts, purchases, payrolls, costs, expenses, and profits and losses of its export operations from those of its domestic operations: *Provided*, That in the case of: (i) a pioneer enterprise herein registered as defined under Section 3(h) of Republic Act Numbered Fifty-One Hundred Eighty-Six, (ii) a service exporter primarily engaged in the business of catering to foreign tourists and foreign travelers, and (iii) an export producer seventy per cent (70 %) of whose total production is to be exported, the nationality requirement shall be in accordance with Section Nineteen of the said Act instead of Section Six, paragraph (b) of this Act: *Provided, further*, That in the latter case, the Board may increase the seventy per cent (70 %) export requirement in the event of an adverse effect on the domestic producers of the export product: *Provided, furthermore*, That upon receipt of the application for registration, the Board shall within thirty (30) days notify the applicant of all pertinent requirements not complied with: And *Provided, finally*, That the Board of Investments shall act on said application within ninety (90) days after submission thereof."

SECTION 10. Subsection (c) of Section 7 of the same Act is hereby amended to read as follows:

"(c) Within five (5) years from the date of registration of the export producer, importation of machinery and equipment, and spare parts shipped with such machinery, and equipment, shall not be subject to tariff duties and compensating tax: *Provided*, That said machinery, equipment and spare parts: (1) are not manufactured domestically in reasonable quantity and quality at reasonable prices; (2) are directly and actually needed and will be used by the registered enterprise in the manufacture of its product; (3) are covered by shipping documents in the name of the registered ex-

port producer to whom the shipment will be delivered direct by customs authorities; and (4) the prior approval of the Board was obtained by the registered export producer before the importation of such machinery, equipment and spare parts. For enterprises approved for registration by the Board after the effective date of this decree, which are engaged in new preferred non-pioneer activities with total assets or projected total assets of five hundred thousand pesos (P500,000.00) or more for the first two (2) years of commercial operations, the Board, subject to the criteria to be formulated in consultation with the Secretary of Finance, and to the above enumerated conditions, shall, in lieu of an exemption, reduce partially the tariff duties and compensating tax on such machinery, equipment and spare parts, and defer the payment of such reduced taxes and duties for a period not exceeding ten (10) years, after posting the appropriate bond as may be required by the Secretary of Finance. For replacement or modernization of existing facilities of pioneer and non-pioneer registered enterprises, or for expansion of projects with 20 % or greater return on equity, mere deferment in payment of taxes and duties as above provided shall be allowed without reduction thereof. In granting approval of importations under this paragraph, the Board shall require international bidding to be conducted by the end-user in Manila under its supervision; however, the Board may, in its discretion, dispense with this requirement if (a) there is, to the knowledge of the Board, only one manufacturer of the machinery, equipment, and spare parts to be imported or (b) the importation is caused by the expansion of the registered export producer and such imports shall be acquired from the same manufacturer who supplied the machinery, equipment, and spare parts being used by the registered export producer or (c) the total cost of importation is less than one million dollars (\$1,000,000.00) or (d) the Board has other means of determining the reasonableness of the procurement cost. If the registered export producer does not bring into the country, the proceeds of export sales equivalent to at least the costs of the imported machinery, equipment, and spare parts within five (5) years after delivery of the same to it, or if it sells, transfers, or disposes of the machinery and equipment, and spare parts imported under this paragraph without the prior approval of the Board within the said five (5) years, the registered export producer shall pay twice the amount of exemption given it, together with the penalty and interest thereon, computed from the date of acquisition, fixed by the Tariff and Customs Code and the National International Revenue Code for delinquency in the payment of said duties and taxes. Likewise, if the registered export producer sells, transfers or disposes of these machinery equipment and spare parts without the prior approval of the Board within five (5) years from the date of acquisition, the registered enterprises shall pay twice the amount of tax exemption given it. However, the Board shall allow and approve the sale, transfer or disposition of the said items within the said items with-

in the said period of five (5) years if made: (1) to another registered enterprise; (2) for reasons of proven technical obsolescence; (3) for purposes of replacement to improve and/or expand the operations of the enterprise. In such cases, the transferee shall not be subject to the taxes and duties on the said equipment other than the deferred taxes and duties, if any, if it will undertake an economic project substantially carrying the objective for which such equipment has been imported, as determined by the Board."

SECTION 11. Section 8 of the same Act is hereby amended to read as follows:

"Sec. 8. *Incentives to registered export traders.* — A registered export trader shall be entitled (a) to the exemption from export tax provided in paragraph (e) of Section 7 of this Act, for export products bought by it from registered export producers qualified to avail of such exemption from export tax; (b) to a tax credit equivalent to the amount of specific and sales taxes on the registered export products bought by it from export producers and subsequently exported; (c) for the first five (5) years from registration, to deduct from its taxable income, in addition to the normal deductions allowed by the National Internal Revenue Code, an amount equivalent to ten per cent (10 %) of its total export sales. For a period of five (5) years after registration, an additional deduction of one per cent (1 %) of its total export sales shall be allowed a registered export trader who extends financial assistance to a registered export producer or producers in an amount equivalent to not less than twenty per cent (20 %) of the registered export traders's total export sales during the year in which the incentive is claimed."

SECTION 12. Section 9 of the same Act is hereby amended to read as follows:

"Sec. 9. *Additional Incentives.* — (a) The Board shall grant additional incentives whenever a registered export producer establishes its processing or manufacturing plant in an area that the Board designates as necessary for the proper dispersal of industry or in an area which the Board finds deficient in infrastructure, public utilities, and other facilities. These additional incentives shall consist of any or all of the following: (1) to use an amount equivalent to double its direct labor cost in applying the formula for reduced income tax provided in paragraph (b) of Section 7 of this Act; (2) to apply in payment of taxes that may be due from it to the National Government, an amount equivalent to one hundred per cent (100 %) of necessary infrastructure works, in harmony with projects approved by law, undertaken by the registered export producer with the prior approval of the Board and the concurrence of the Department of Public Works, Transportation and Communications or any appropriate government agency, such as portworks, waterworks, aircraft landing facilities, roads and bridges leading

from the plant to a loading point or to a national highway or *poblacion*, and other similar projects that are normally undertaken by the government: *Provided*, That the title to all such infrastructure works shall upon completion, be transferred to the Philippine Government; *Provided, further*, That should the registered export producer undertake necessary maintenance work on such infrastructure works with the prior approval of the Board, as similar incentive shall be given to it in an amount equivalent to the cost of such necessary maintenance.

(b) Whenever a registered export producer or export trader shall use a new brand name for an export product that distinguishes it from products manufactured or processed outside the Philippines, the Board shall grant the registered export producer directly exporting its product or export trader who export the same an additional incentive in the form of either (1) a net operating loss carry-over as provided for in Section 7, paragraph (c) of Republic Act Numbered Fifty-One Hundred Eighty-Six, known as the Investment Incentives Act; or (2) an additional deduction from taxable income equivalent to one per cent (1 %) of the increment of its export sales during the year in which the incentive is claimed to the export sales of the preceding year; *Provided*, That the registered export producer or export trader shall choose at the time of applying for said additional incentives which of the two incentives he prefers to enjoy, and such choice shall be binding."

SECTION 13. All Acts, Executive Orders, Administrative Orders, Rules and Regulations or parts thereof inconsistent with the provisions of this Decree are hereby repealed or modified accordingly.

SECTION 14. *Effectivity*. -- This decree shall take effect immediately upon its approval.

Done in the City of Manila, this 19th day of June, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President

By the President:

Republic of the Philippines

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

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PRESIDENTIAL DECREE NO. 501

AMENDING CERTAIN PROVISIONS OF PRESIDENTIAL DECREE NUMBER ONE HUNDRED SEVENTY-FIVE, ENTITLED "STRENGTHENING THE COOPERATIVE MOVEMENT", RELATING TO THE REGULATORY POWERS OF THE DEPARTMENT OF LOCAL GOVERNMENT AND COMMUNITY DEVELOPMENT OVER COOPERATIVES.

WHEREAS, under Republic Act No. 6038 which governs electric cooperatives, and Presidential Decree No. 40 and Letter of Instructions No. 38, the

primary power and responsibility of promoting, organizing, registering, assisting and regulating electric cooperatives is vested in the National Electrification Administration;

WHEREAS, Presidential Decree No. 175, entitled "Strengthening the Cooperative Movement" however, repealed all past cooperative laws and vested in the Department of Local Government and Community Development the full authority to promulgate rules and regulations to govern the promotion, organization, registration, regulation and supervision of all types of cooperatives;

WHEREAS, there is an imperative need to exclude electric cooperatives from the operation of Presidential Decree No. 175 in consonance with present developmental plans in the light of the government's policy accelerating the development of rural electrification by converting the National Electrification Administration into a national corporation.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution do hereby order and decree.

SECTION 1. Section 8 of the Presidential Decree No. 175 is hereby amended to read as follows:

"Section 8. Powers of Regulatory Agency. — The Department of Local Government and Community Development through the Bureau of Cooperatives Development is vested with full authority to promulgate rules and regulations to govern the promotion, organization, registration, regulation and supervision of all types of cooperative except electric cooperatives which shall remain under the regulation and supervision of the National Electrification Administration under the provisions of Republic Act No. 6038 on conjunction with Presidential Decree No. 40 and Letter of Instructions No. 38. Specifically, it shall have the following powers:

(a) To call on any office, agency, instrumentality or individuals belonging to the government or private sector for such assistance as may be needed.

(b) To register new cooperatives, re-register existing cooperatives and regulate and supervise the following types of cooperatives.

1) Barrio Associations which shall have the provisional status of a cooperative and serve the requirements of Presidential Decree No. 27 in the issuance of certificates of land transfers;

2) Local or primary cooperatives which shall be composed of natural persons and/or barrio associations;

3) Federations which shall be composed of cooperatives which may or may not perform business activities; and

4) Unions of cooperatives which shall not perform any business activities.

Provided, that in the case of re-registration, the cooperative shall file its application or petition for re-registration within a period of six (6) months

from the date of promulgation of this Decree, and its corporate existence shall be deemed to continue until the application or petition is approved or denied; and Provided, further, that for purposes of re-registration, Section 2 and b (a) hereof shall not be applicable to existing cooperatives which do not meet the qualification requirements provided for in this Decree.

c) To determine the manner and extent by which powers, privileges, assistance and support granted to cooperative provided by this Decree shall be exercised or enjoyed by cooperatives;

d) To suspend the operation or cancel the registration of any cooperative after hearing and when in its judgment and based on findings, such cooperative is operating in violation of this Decree, rules and regulations, existing laws as well as the by-laws of the cooperative itself;

e) To liquidate and to determine disposal of assets and settlement of liabilities of any cooperative which has been inoperable, inactive or defunct or any cooperative violating the penal provisions herein provided;

f) To recommend charges to be filed against any official of any cooperative who has committed crimes against the cooperative who has violated the penal provisions herein provided; and to establish rules and regulations governing the suspension and/or expulsion of any member of a cooperative;

g) To condone the principal and/or accumulated interest on past due production and/or farm improvement loans extended by the Agricultural Credit and Cooperative Financing Administration and the Agricultural Credit Administration to farmer members of agricultural cooperatives, and to authorize writing off of bad debts or bad accounts of agricultural cooperatives arising from loans granted by the Agricultural Credit Administration subject to the rules and regulations to be promulgated jointly by the Department of Local Government and Community Development and Department of Finance.

h) To recommend charges to be filed against non-farmers who through misrepresentation have secured loans from the Agricultural Credit and Cooperative Financing Administration or the Agricultural Credit Administration through agricultural cooperatives;

i) To authorize the collection by barrio associations and cooperatives past due loans granted by the Agricultural Credit and Cooperative Financing Administration or the Agricultural Credit Administration on a commission basis; and

j) To authorize cooperatives to collect amortizations on lands under Presidential Decree No. 27.

Section 2. This Decree shall take effect immediately.

Done in the City of Manila, this 28th day of June, in the year of Our Lord, nineteen hundred and seventy-four.

By the President:

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

PRESIDENTIAL DECREE NO. 508

PROVIDING GUIDELINES FOR THE DEVELOPMENT AND UTILIZATION OF SMALL OR SUB-COMMERCIAL DEPOSITS OF NATURAL MARSH GAS OR METHANE GAS IN THE PHILIPPINES, AND GRANTING GRATUITOUS PERMITS THEREFOR.

WHEREAS, natural marsh gas or methane gas in small sub-commercial deposits abound throughout the country;

WHEREAS, the development and utilization of said natural marsh gas or methane gas is in accordance with the policy of the government to develop other sources of energy;

WHEREAS, the development and utilization of these natural marsh gas or methane gas deposits do not require huge capital investments and highly specialized technical knowledge; and consequently are easier to develop;

WHEREAS, the Government must open these deposits for development and utilization and encourage their development and utilization;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby decree and order as part of the law of the land the following:

SECTION 1. All small or sub-commercial natural marsh gas or methane gas deposits found in any public or private lands, not exceeding 1000 feet in depth and not associated with crude oil deposit, within the territorial limits of the Philippines which are within free areas, national reserve areas, in any other areas not covered by valid and subsisting petroleum exploration or exploitation concessions, or by service contracts entered with the Government under Presidential Decree No. 87, may be developed for household use or utilized for small-scale industrial development.

SEC. 2. Any citizen of the Philippines, of legal age, having the capacity to contract and not convicted of any offense involving moral turpitude, or any association of individuals in the form of partnership or corporations duly organized and constituted under the laws of the Philippines, and at least sixty percent (60 %) of the capital of which is and shall at all times be held and owned by citizens of the Philippines, may apply for a gratuitous permit to undertake the development and utilization of small or sub-commercial deposits of natural marsh gas or methane gas.

SEC. 3. An application for a gratuitous permit shall be filed with the Director of Mines, Manila, paying therefor a filing fee of P20.00. Upon compliance with all the requirements relative thereto, a permit shall be issued by the Director of Mines after which the permittee shall start the development and utilization of the gas deposits found within the area of his permit for household use or for small scale industrial development. A permittee shall in no case be entitled to more than one (1) permit for every petroleum region at any one time.

The area to be covered by a gratuitous permit application shall be not more than twenty (20) hectares, in a block rectangular in shape, and as much as possible the larger sides of the rectangle shall not be more than five times the shorter sides.

SEC. 4. A permit area may be validly converted by a subsequent petroleum exploration concession granted under the Petroleum Act of 1949, as amended, or by service contract entered with the Government under Presidential Decree No. 87, but no gratuitous permit shall be issued by the Director of Mines on an area already covered by an existing permit or lease granted under Republic Act No. 5092, and in accordance with the rules and regulations promulgated thereunder and on any area where natural gas or methane gas deposits are more than 1000 feet deep or when these deposits are associated with crude oil.

SEC. 5. The permittee shall have the right to enter any private land covered by his permit to conduct work thereon. If, however, the owner of such private land or its legal occupant denies him such right, he may apply for permission to enter such land, and upon posting such bond as may be fixed by the Director of Mines shall be issued an order allowing him such right pending the final determination of the proper amount that shall be paid by the permittee to the landowner or legal occupant.

SEC. 6. The permittee shall conduct operations on the area covered by his permit, a monthly operations of which shall be submitted by him to the Director of Mines for record and information.

SEC. 7. The term of this permit shall be for a period of two (2) years from the issuance thereof, renewable for another like period upon compliance with the terms of the permit. Should production be attained within the four (4) year period, the permit may be extended for a series of 2 year period each but in no case to exceed a total of fourteen (14) years, if warranted by continuing gas production. Failure, however, of the permittee to conduct operations on the area within one (1) year shall be a cause for the cancellation of his permit.

SEC. 8. The Director of Mines is hereby authorized to assume jurisdiction and is charged with carrying out these guidelines to the end that the utilization and development of these gas deposits shall be duly encouraged and properly regulated.

He shall prescribe the terms and conditions of the gratuitous permit to be issued, and the necessary application form therefor.

SEC. 9. As used herein, the following terms shall have the following respective meanings:

(a) Natural Marsh Gas or Methane Gas — light, odorless, colorless, and inflammable gaseous hydrocarbon, occurring naturally as a product of decomposition of organic matter in marshes and mines.

(b) Free Areas — all lands within the territorial limits of the Philippines excluding those submerged beneath bays, lakes, rivers or lagoons, but which are not within the, or including, national reserve areas, petroleum reservation, or covered by valid and existing exploration or exploitation concessions, or

petroleum drilling leases acquired under the Petroleum Act (Act No. 2932), or of petroleum mining claims located and held under the Act of Congress of July 1, 1902, as amended.

(c) National Reserve Areas — areas which have been included in any exploration or exploitation concession but which have been subsequently given up by the concessionaire voluntarily or in accordance with the requirement of Article 50 and 53 of the Petroleum Act of 1949, as amended; or areas covered by exploration or exploitation concession which have expired or have been cancelled; or areas which have been included within any of the two kinds of concessions but which are found to be in excess the maximum areas allowed by the Petroleum Act on 1949, as amended, for such concession.

(d) Permittee — a person, association, partnership or corporation who is a holder of a gratuitous permit to develop and utilize natural marsh gas or methane gas.

SEC. 10. This decree shall take effect immediately.

DONE in the City of Manila, this 16th day of July, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

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PRESIDENTIAL DECREE NO. 512

DECLARING PROSPECTING AND OTHER MINING OPERATIONS OF PUBLIC USE AND BENEFIT AND ESTABLISHING THE BASIS AND PRESCRIBING THE RULES AND PROCEDURES RELATIVE TO ACQUISITION AND USE OF SURFACE RIGHTS IN MINERAL PROSPECTING, DEVELOPMENT AND EXPLOITATION, AND PROVIDING PROTECTION AND COMPENSATION TO SURFACE OWNERS.

WHEREAS, the total efforts being exerted by the Government to encourage and accelerate the development of our mineral resources is sometimes snagged or hampered by the difficulties and delays in securing surface rights under existing laws and regulations for the entry into private lands for purposes of prospecting, location, exploration, development and exploitation of mining claims, due to the frequent and, at times, unreasonable objections on the part of owners and occupants of private lands;

WHEREAS, it is desirable that there should be incentives and encouragement given to surface right owners and occupants to grant the necessary entry permit for mineral prospecting, location, exploration, development,

and exploitation, and

WHEREAS, in order to achieve full and accelerated mineral resources development and to provide necessary protection to private land owners and occupants, a new system of surface rights acquisition and use by mining prospectors and claimants has to be provided;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby decree and order as part of the law of the land the following:

SECTION 1. Mineral prospecting, location, exploration, development and exploitation is hereby declared of public use and benefit, and for which the power of eminent domain may be invoked and exercised for the entry, acquisition and use of private lands: *Provided*, That any person or entity acquiring any option or right on such land after the first publication of the notice of any mining lease covering such land shall not be entitled to the compensation herein provided.

SEC. 2. Subject to prior notification, prospectors or claimants of mineral lands shall not be prevented from entry into private lands by surface owners and occupants when prospecting or exploring therein: *Provided*, That any damage done to the property of the surface owner shall be properly compensated: *Provided, further*, That to guarantee such compensation to the surface owner, the prospector or claimowner shall post a bond with the Bureau of Mines in an amount to be fixed by the Director of Mines in an amount to be fixed by the Director of Mines based on the type of property and the prevailing price of lands in the area where prospecting and other mining activities are to be conducted and with surety or sureties satisfactory to the Director of Mines. The decision of the Director of Mines may be appealed within five (5) days from receipt thereof to the Secretary of Natural Resources, whose decision shall be final.

SEC. 3. The owner of a titled property within which mineral development or exploitation is undertaken shall be entitled to at least one-third (1/3) of the total royalty due the claim-owner from the operator based on the prevailing standard royalty in the area where said mining operation is being undertaken, or one percent (1 %) of the value of the gross output of minerals therein where there is no prevailing standard royalty or in any other case where no royalty payment is involved or has been, arranged: *Provided*, That such landowner may choose to receive payment for any damage caused to his property and compensation for his land at the prevailing market price or assessed value, whichever is higher, plus five per cent (5 %) of the royalty due the claimowner on the value of gross output of metallic minerals therein: *Provided, further*, That if the right of the surface owner to his land is based on incomplete land titles, as homesteads, sales, leases and other forms of land rights not perfected under the torrens system, the surface right compensation shall be one-fifth (1/5) of the total royalty due the claimowner from the operator, or damages and payment of the land plus three per cent (3 %) of the royalty due the said claimowner, or six-tenths of one percent (1 %) of the value of gross output as above stated: *Provided, finally*, That the rate of royalty herein set shall apply only in cases of the exploration, development

and exploitation of metallic ores. Metallic ores shall be those containing metals, such as gold, copper, silver, iron, nickel and other minerals which the Director of Mines may determine as such by regulation.

SEC. 4. Government reserved lands for purposes other than mining shall be open to prospecting by filing an application therefor to the agency supervising the reserved lands, through the Director of Mines, subject always to compliance with pertinent laws and rules and regulations covering such reserved lands: *Provided*, That such applications shall be acted upon within (30) days: *Provided, further*, That in such cases the compensation due the surface owner shall accrue equally between the supervising agency and the Bureau of Mines as part of their Special Funds, to be disbursed for conservation measures.

SEC. 5. The Director of Mines with the approval of the Secretary of Natural Resources shall issue the necessary rules and regulations to implement and put into effect the provisions of this Decree.

SEC. 6. All provisions of existing decrees, laws, orders, rules and regulations or parts thereof in conflict or inconsistent herewith are hereby repealed or modified accordingly.

SEC. 7. This Decree shall take effect immediately.

Done in the City of Manila, this 19th day of July, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

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PRESIDENTIAL DECREE NO. 527

GRANTING AUTHORITY TO THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY TO SET MINIMUM PRICES OF COCONUT OIL, COPRA AND OTHER COCONUT PRODUCTS AND BY-PRODUCTS

WHEREAS, the economic well-being of a major part of the population depends to a large extent on the viability of the coconut industry and its improvement in the area of production and marketing;

WHEREAS, to protect coconut farmers, there is a need to regulate and/or fix the minimum prices at which copra and other coconut products and by-products may be purchased from coconut farmers, as well as minimum export prices for copra, coconut oil and other coconut products and by-products.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby order and decree as follows:

SECTION 1. That the National Economic and Development Authority, *motu proprio* or upon recommendation of the Philippine Coconut Authority, may fix the minimum prices that may be paid to coconut farmers for copra and other coconut products, as well as minimum export prices for copra, coconut oil and other coconut products and by-products whenever the national interest so requires taking into consideration cost of production, transportation, marketing and other relevant factors.

SEC. 2. That the National Economic and Development Authority is hereby authorized to prohibit the export from the Philippines of copra, coconut oil and other coconut products and by-products at prices below the minimum export prices that may be fixed in accordance with the provision of the preceding a section.

SEC. 3. That Government agencies and instrumentalities, including the Central Bank of the Philippines, the Philippine Coconut Authority and the Bureau of Customs shall not issue export licenses and permits for the export of copra, coconut oil and other coconut products and by-products at prices below the minimum export prices that may be fixed by the National Economic and Development Authority pursuant to the authority granted in Section 1 hereof.

SEC. 4. That the National Economic and Development Authority is hereby authorized to issue rules and regulations necessary to implement the provisions of this Decree.

SEC. 5. That any person who shall violate the provisions of this Decree and any rule or regulation that may be issued by the National Economic and Development Authority pursuant to the authority, granted in the preceding section shall, upon conviction, be punished by a fine of not more than twenty thousand pesos (P20,000.00) and/or by imprisonment of not more than five years: *Provided*, That in the case of corporations, partnerships, associations or companies the President, Manager or Administrator or the person who has charge of the administration of the business shall be criminally responsible for any violation of this Decree or of the rules and regulations that may be promulgated by the National Economic and Development Authority pursuant to the authority in the next preceding section.

SEC. 6. Any provision of law in conflict herewith is revoked or amended accordingly.

SEC. 7. This Decree shall take effect immediately.

Done in the City of Manila, this 2nd day of August, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS

President

Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR

Executive Secretary

PRESIDENTIAL DECREE NO. 535

PROVIDING FOR A COMPREHENSIVE INVESTMENT INCENTIVE PROGRAM FOR THE TOURISM INDUSTRY.

WHEREAS, there is need to encourage and hasten the establishment of hotel and other tourist oriented facilities necessary to meet the requirements of the tourist traffic;

WHEREAS, there is need to align incentives and requirements of Tourism Projects in line with the specific needs of the tourism industry; and

WHEREAS, it is realized that foreign investment and financing is required to meet the financial requirements of the said industry;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby decree and order as follows:

SECTION 1. *Title* – This Decree shall be known and cited as the “Tourism Incentives Program of 1974.”

SECTION 2. *Declaration of Policy* – It is the policy of the State to encourage and promote tourism in the Philippines, particularly, in providing services to foreign tourists and travellers, in order to increase foreign exchange earnings and to hasten the economic development of the nation.

SECTION 3. *Definition of Terms*. – For purposes of this Decree:

- (a) “Philippine Tourism Authority” or simply “Authority” shall mean the Philippine Tourism Authority as defined in its charter, Presidential Decree 189.
- (b) “Registered Tourism Enterprise” shall mean a person, corporation, partnership or other entity organized and existing under the Philippine Constitution registered with the Authority in accordance, with this Decree and engaged in or proposing to engage in rendering services to foreign tourists and travellers covered by the Tourism Priorities Plan and subject to the guidelines prepared by the Department of Tourism.

SECTION 4. *Tourism Priorities Plan* -- Not later than the end of January of every year the Department of Tourism shall submit to the President through the National Economic and Development Authority a Tourism Priorities Plan setting forth the tourism activities to be encouraged and given priority and the tourism facilities required to supply the needs of foreign tourists and travellers. Incentives shall be made available to these projects.

SECTION 5. *Incentives for Investors* – In addition to the incentives provided under this Decree, investors in registered tourism enterprises or projects shall enjoy the basic rights and guarantees set forth in Section 4 of Republic Act No. 5186, otherwise known as the Investment Incentives Act.

SECTION 6. *Conditions for Availment of Tourism Incentives* --

- (a) No registered tourism enterprise shall be entitled to any incentive

under this Decree until its registration shall have been approved by the Authority, which approval shall retroact to the date of filing of the application for registration.

- (b) To be entitled to registration, an applicant must satisfy the Authority —
- (1) that in case the applicant is a natural person, that he is a citizen of the Philippines; and in case the applicant is a partnership or other association, that it is organized under Philippine laws and that at least 60 % of its capital is owned and controlled by citizens of the Philippines; or in case of a corporation or a cooperative, that it is organized under Philippine laws and that 60 % of the capital stock outstanding and entitled to vote is owned and held by Philippine nationals as defined in Section 3(f) of Republic Act No. 5186, and at least 60 % of the members of the Board of Directors are citizens of the Philippines;
 - (2) that applicant before engaging in any of the activities reserved by the Constitution or statutes to Filipino citizens or corporations owned and controlled by Filipino citizens applicant shall first comply with the requirements of the Constitution or statutes; and
 - (3) that if the applicant will engage in an activity other than that for which it is registered, it undertakes to install an adequate accounting system to segregate the investments, revenues, sales, receipts, purchases, payrolls, costs, expenses and profits and losses of the registered operations.
- (c) In the case of registered tourism enterprises located in or whose sphere of activity is in Greater Manila, an average of seventy percent (70 %) of its revenue must be in foreign currency, never falling below fifty percent (50 %) in any given year within the period for which the incentives are granted and in the case of registered tourism enterprises located outside Greater Manila, or whose sphere of activity is outside the same, an average of fifty percent (50 %) of revenues shall be in foreign currency, never falling below thirty-five percent (35 %) in any given year within the period for which incentives are granted.
- (d) Upon receipt of the application for registration, the Authority shall, within thirty (30) days, notify the applicant of all pertinent requirements not complied with and it shall act on said application within sixty days after submission thereof.

SECTION 7. *Joint Registration* — In cases where the hotel owners are not the hotel operators, both shall be allowed to register on a joint basis: Provided, That the hotel operators do not merely lease the hotel building or facilities from the owners; and Provided, further, That the granting of incentives will not result in additional benefits to both or to one if treated as a single registered tourism enterprise.

SECTION 8. *Incentives Available to a Registered Tourism Enterprise* –

- (a) Fifty percent (50 %) of foreign exchange earned in the first five years from the start of operations shall be deductible from net taxable income, subject to other provisions of Section 10 of Republic Act No. 6135 and rules and regulations to be promulgated by the Authority.
- (b) A net operating loss incurred in any of the first ten years of operation shall be carried over as a deduction from taxable income for six years following such loss as provided for in Section 7(c) of Republic Act No. 5186.
- (c) A tax credit shall be granted for taxes withhold on interest payments on foreign loans as provided for in Section 7(f) of Republic Act No. 5186 and defined under Section 3 thereof.
- (d) Exemptions from real estate taxes on land improvements and buildings shall be granted for the first five years from the start of operations.
- (e) Importations of machinery and equipment, and spare parts shipped with such equipment shall not be subject to tariff duties and compensating tax within seven years from the date of registration with the Authority subject to the other provisions in Section 7(d) of Republic Act No. 5186.
- (f) A tax credit equivalent to one hundred percent of the value of the compensating tax and customs duties that would have been paid on machinery and spare parts had these items been imported shall be given to the registered tourism enterprise who purchases machinery, equipments and spare parts from a domestic manufacturer, and another tax credit equivalent to fifty percent thereof shall be given to the said manufacturer subject to other provisions in Section 7(e) of Republic Act No. 5186, and defined under Section 3(j) thereof.
- (g) Undistributed profit or surplus which a registered tourism enterprise reinvests shall be allowed as a deduction from its taxable income in the year such reinvestments were made, subject to other provisions of Section 7(h) of Republic Act No. 5186, to the extent of:
 - (i) 50 % for expansion of registered tourism facilities within the Greater Manila Area;
 - (ii) 75 % for expansion of registered tourism facilities outside of Greater Manila;
 - (iii) 75 % for the expansion of existing registered tourism facilities in Greater Manila to additional facilities outside of Greater Manila.

SECTION 9. *Incentives to Philippine Nationals Investing in Registered Tourism Enterprises Qualified Herein.*

- (a) An investment allowance shall be permitted as a deduction from

the investor's taxable income to the extent of his actual investment but not to exceed ten percent thereof as provided for in Section 6 (a) of Republic Act No. 5186.

- (b) Exemption from income tax on the portion of the gains realized from the sale, disposition, or transfer of capital assets equal to the portion of the sale proceeds that is invested in new issues of stock of, or in the purchase of stock owned by foreigners, in registered tourism enterprises, within six months from the date the gains were realized, subject to the other provisions of Section 6(b) of Republic Act No. 5186.

SECTION 10. *Incentives to Foreign Nationals Investing in Registered Tourism Enterprises Qualified Herein*, — Exemption from withholding tax on dividends remitted abroad to foreign investors shall be granted.

SECTION 11. *Other Incentives* — Provisions on Section 10, 11, and 12 of Republic Act No. 5186 shall also be applicable to firms registered under this Decree.

SECTION 12. *Suspension or Cancellation of Incentives* — The incentives provided for in this Decree may be suspended or cancelled in accordance with Section 13 of Republic Act No. 6135.

SECTION 13. *Tourism Enterprises Registered Under Republic Act No. 6135* — Any enterprise registered under Republic Act No. 6135 at the time of the promulgation of this Decree shall continue to be governed by provisions of said Act and shall be considered automatically registered under the provisions of this Decree: Provided, That the incentives available under Section 8(b), 8(e) and 8(f) herein shall only be applicable and shall be given prospective effect from the date of its registration under this Decree: Provided, further, That enterprises registered under Republic Act No. 6135 not yet in operation upon the promulgation of this Decree may avail of all incentives granted herein by subsequent registration under the provisions of this Decree: Provided, furthermore, That all other incentives herein shall only be applicable to expansion of registered capacity.

SECTION 14. *Applicability to Existing Tourism Enterprises* — An enterprise which satisfies the requirements for registration specified herein, which at the time of promulgation of this Decree has not been registered under Republic Act No. 6135, shall be entitled to registration under this Decree as to its existing capacity. Similarly, an investor in such an existing enterprise shall be entitled to benefits and incentives to the extent of this present investment: Provided, That the application is filed while the area is still in the Tourism Priorities Plan: Provided, further, That the benefits of this Decree, so far as may be applicable to such existing enterprises, shall be given prospective effect only from the date of registration: Provided, furthermore, That the incentives applicable shall only be those covered by Section 8(a), 8(b), 8(e) and 8(f) and, in the case of expansion of existing capacity, all other incentives shall be applicable only with respect to the expanded capacity.

SECTION 15. *Certification of Registration* — All tourism enterprises registered under this Decree shall be issued a certificate of registration under

the seal of the Philippine Tourism Authority and the signature of its Chairman and/or such other officer or employee of the Authority as it may empower and designate for the purpose. The certificate shall be in such form and style as the Authority may determine and shall state, among other things:

- (a) The name of registered tourism enterprises;
- (b) The preferred area of investment in which the registered tourism enterprise is proposing to engage;
- (c) The nature of the activity it is undertaking or proposing to undertake, and the registered capacity of the enterprise; and
- (d) The other terms and conditions to be observed by the registered tourism enterprise by virtue of the registration.

SECTION 16. *Implementing Agency* — The Philippine Tourism Authority shall issue rules and regulations as may be necessary for the proper implementation of the provisions of this Decree within 60 days after its approval. Such rules and regulations shall be effective 30 days after their publication in two (2) newspapers of general circulation in the Philippines.

SECTION 17. *Penal Provisions* — The penalties shall be as those provided for in Section 19 of Republic Act No. 6135.

SECTION 18. *Repealing Clause* — All laws, decrees, orders, rules and regulations or provisions thereof inconsistent with this Decree are hereby modified or repealed immediately.

SECTION 19. *Effectivity* — This Decree shall take effect immediately.

Done in the City of Manila, this 9th day of August, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

- 0 -

PRESIDENTIAL DECREE NO. 542

AMENDING PRESIDENTIAL DECREE NO. 264, CREATING THE PHILIPPINE AMANAH BANK.

WHEREAS, Presidential Decree No. 264, dated August 2, 1973 was designed and intended principally to rehabilitate, develop, expand and pro-

mote the socio-economic conditions of the economically depressed provinces of Mindanao, particularly in the Muslim provinces of North Cotabato, Maguindanao, Sultan Kudarat, Lanao del Norte, Lanao del Sur, Sulu, Tawi-Tawi, Zamboanga del Norte, and Zamboanga del Sur, and to provide more opportunities and incentives to the Muslim citizens of the Philippines, in actively and sincerely participating and getting involved in community development and nation-building;

WHEREAS, in order to render more effective the foregoing intentions and objectives of this Decree, it is necessary that the religious beliefs and practices of the Muslim citizens of the Philippines, be followed and respected, unless otherwise it is contrary to law, good morals and public policy.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby amend Presidential Decree No. 264, as follows:

SECTION 1. Section 1 of Presidential Decree No. 264, creating the Philippine Amanah Bank, is hereby amended to read as follows:

"SECTION 1. *Purposes, Name, Domicile and Basis.* To provide credit, commercial, development and savings banking facilities at reasonable terms to the people of the primarily Muslim provinces of Mindanao, principally, the provinces of North Cotabato, Maguindanao, Sultan Kudarat, Lanao del Norte, Sulu, Basilan, Zamboanga del Norte, Zamboanga del Sur and Palawan for the establishment, acquisition, development and expansion of agricultural, commercial and industrial enterprises, there is hereby created a body corporate to be known as the Philippine Amanah Bank, which shall have its principal place of business at Zamboanga City and shall exist for fifty years.

The Philippine Amanah Bank shall be based on the Islamic Concept of Banking, following the no-interest and partnership principles."

SEC. 2. The third paragraph of Section 15 of the same decree is hereby amended to read as follows:

"All profits assigned as dividends to the shares of the government, and all remaining net profits of the bank after the payment of dividends to stockholders other than the government of the Philippines, its agencies or instrumentalities, if there is any, shall be transmitted to the Muslim Development Fund of the Philippine Amanah Bank."

SEC. 3. All laws, decrees, orders, rules and regulations or parts thereof inconsistent with this Decree are hereby repealed or modified accordingly.

SEC. 4. This Decree shall take effect immediately.

DONE in the City of Manila, this 20th day of August, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS

President

Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR

Executive Secretary

PRESIDENTIAL DECREE NO. 544

AMENDING REPUBLIC ACT NUMBERED SIX THOUSAND THREE HUNDRED NINETY, AS AMENDED

WHEREAS, it is the policy of Government to increase food production as well as the income of agrarian reform beneficiaries;

WHEREAS, agrarian reform beneficiaries are now being encouraged to engage in the production of multiple crop and in agricultural projects in order to maximize the utilization of their available land and labor resources;

WHEREAS, rural banks, the Philippine National Bank and other financing institutions operating in rural areas are ideal outlets for the granting under supervised credit of the necessary loans to finance the multiple crops projects of agrarian reform beneficiaries;

WHEREAS, under supervised credit, the amount of loans granted by rural banks and other financing institutions to their borrowers is determined by the actual needs and viability of the projects to be financed and the repayment capacity of the borrowers; and

WHEREAS, the P5,000 maximum loan they may be granted at any one time to a farmer-borrower as provided under Section 16 of Republic Act No. 6390, is no longer realistic in view of the rising cost of production inputs such as fertilizers, feeds, pesticides, medicines, etc.

NOW, THEREFORE, I, FERDINAND E. MARCOS, by virtue of the powers in me vested by the Constitution and in order to help effect the desired changes and reforms in the social and economic structure of our society, do hereby order and decree the amendment of Republic Act No. 6390, as amended, as follows:

SECTION 1. The first paragraph of Section sixteen of Republic Act Numbered Six Thousand Three Hundred Ninety, as amended, is hereby amended to read as follows:

"Privileges and limitation of Rural Banks. — The total amount of loans that may be granted at any one time to a single borrower under the preceding section shall be determined by the actual need and viability of the project to be financed and the capacity of the borrower to repay the loan at interest not exceeding twelve per cent per annum, excluding service fees and other charges."

SECTION 2. The same act is hereby amended by adding the following section immediately after section seventeen thereof, which shall read as follows:

"Section 17—A. Applicability to Other Financing Institutions. All privileges extended to rural banks under this Act, including guarantee coverage under the Agricultural Guarantee Fund, may likewise apply to the Philippine National Bank and other financing institutions granting loans under supervised credit to agrarian reform beneficiaries."

SECTION 3. All Acts and part of Acts inconsistent with the provisions of this Decree are hereby repealed, amended or modified.

SECTION 4. This Decree shall take effect immediately.

DONE in the City of Manila, this 22nd day of August, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

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PRESIDENTIAL DECREE NO. 550

CREATING THE PHILIPPINE FOREIGN LOAN GUARANTEE CORPORATION, DEFINING ITS POWERS AND DUTIES AND FOR OTHER PURPOSES.

WHEREAS, there is a need to supplement existing domestic financial resources, with borrowings from abroad in order to meet the country's economic development requirements;

WHEREAS, such foreign obligations contracted by the private sector may need to be adequately guaranteed by government financial institutions;

WHEREAS, the Development Bank of the Philippines, the Philippine National Bank, and the National Investment financial institutions presently offering guarantee coverage to such foreign obligations incurred by the private sector;

WHEREAS, there is a felt need to expand the Philippine Government's guarantee coverage of foreign loans for the private sector in order to ensure the continuous entry of these resources into the economy;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby order and decree:

SECTION 1. Philippine Foreign Loan Guarantee Corporation. —

- (a)** There is hereby created a body corporate to be known as the Philippine Foreign Loan Guarantee Corporation, hereinafter referred to as the Corporation, which shall have succession in its corporate name. The Corporation shall have its principal office in the Greater Manila Area.
- (b)** The Corporation shall be deemed to be a wholly owned Government corporation and shall accordingly be subject to provisions of

existing laws, rules and regulations applicable to Government-owned corporations not otherwise inconsistent with the provisions of this Decree.

SECTION 2. *Primary Purpose.* — The primary purpose of the Corporation shall be to guarantee foreign loans, in whole or in part, granted to any domestic entity, enterprise or corporation, majority of the capital of which is owned by citizens of the Philippines.

SECTION 3. *Functions.* — The Corporation shall have the following functions:

- (a) To promote and facilitate the entry of foreign loans into the country for development purposes having special regard to the needs of export-oriented industries, industries registered with the Board of Investments, public utilities, and industries the promotion of which is encouraged by government policy;
- (b) To meet requests from domestic entities, enterprises and corporations to assist them in the coordination of their development and expansion plans with a view to achieving better utilization of their resources; and
- (c) To provide technical assistance to the preparation, financing and execution of development or expansion programs, including the formulation of specific project proposals.

SECTION 4. *Corporate Powers.* — The Corporation is hereby authorized to make contracts, to lease or own real and personal property, and to sell or otherwise dispose of the same to sue and be sued; and otherwise to do and perform any and all things that may be necessary or proper to carry out the purpose of this Decree, or as are essential to the proper conduct of such operations.

SECTION 5. *Borrowing and other Miscellaneous Powers.* — In addition to the powers specified elsewhere in this Decree, the Corporation shall have the power;

- (a) To borrow funds in foreign countries or in the Philippines with the approval of the President of the Philippines and subject to pertinent provisions of Republic Act No. 265, as amended, and Central Bank rules and regulations;
- (b) To buy and sell securities the Corporation has issued or guaranteed;
- (c) To underwrite, or participate in the underwriting of, securities issued by any domestic entity or enterprise for purposes consistent with the purpose of the Corporation;
- (d) To invest funds not needed in its operations;
- (e) To hold assets in foreign countries subject to Central Bank rules and regulations; and
- (f) To exercise such other powers and establish such rules and regulations as may be necessary and appropriate in furtherance of its purpose and functions;

SECTION 6. *Operating Principles.* — The operations of the Corporation shall be conducted in accordance with the following principles:

(a) The operations of the Corporation shall principally facilitate foreign loan financing of specific projects of domestic entities or enterprises. They may, however, include guarantees and counter guarantees for sign loans made by banks or other financial institutions or other suitable entities in order that the latter may finance specific development projects either by outright loan or guarantees.

(b) In considering an application for a guarantee, the Corporation shall pay due regard to the ability of the borrower to obtain guarantee facilities elsewhere on terms and conditions that the Corporation considers reasonable for the recipient, taking into account all pertinent factors;

(c) In guaranteeing a loan, the Corporation shall pay due regard to the prospect that the borrower will be in a position to meet its obligations under the loan contract;

(d) In guaranteeing a loan, or in underwriting the sale of securities, the Corporation shall receive suitable compensation for its risk;

(e) The Corporation shall take the necessary measures to ensure that the proceeds of any loan guaranteed by the Corporation are used only for the purposes for which the loan was granted and with due attention to considerations of economy and efficiency;

(f) The Corporation shall not guarantee a single borrower in an amount exceeding the Corporation's subscribed capital stock nor shall the aggregate outstanding guarantee obligations of the Corporation exceed fifteen (15) times its subscribed capital stock plus surplus;

(g) When payment is made by the Corporation pursuant to a guarantee it has made, the Corporation shall be subrogated to any right, title, claim or cause of action belonging to the creditor; and

(h) The Corporation shall be guided by sound banking principles and sound financial management in its operations.

SECTION 7. *Capital Stock.* — The initial authorized capital stock of the Corporation shall be One billion pesos (P1,000,000,000) to be fully subscribed by the Government of the Republic of the Philippines. For this purpose, the sum of One billion pesos (P1,000,000,000) is hereby appropriated from any sums not otherwise appropriated in the National Treasury. The Board may increase the Authorized capital stock of the Corporation, subject to the approval of the President of the Philippines.

SECTION 8. *Loans from Central Bank.* — The Central Bank of the Philippines may grant the Corporation loans and advances which it may need for its operations secured by any assets which are defined as acceptable security by a concurrent vote of at least five (5) members of the Monetary Board.

SECTION 9. *Guarantee of National Government* — The payment of obligations incurred by the Corporation under the provisions of this Decree is fully guaranteed by the Government of the Republic of the Philippines.

SECTION 10. *Board of Directors; Composition.* — The powers and functions of the Corporation shall be exercised by a Board of Directors, hereinafter referred to as the Board, which shall be composed of five (5) members, as follows:

(a) The Secretary of Finance, who shall be the Chairman of the Board, Whenever the Secretary of Finance is unable to attend a meeting of the Board, he shall designate an undersecretary to attend as his alternate, who shall not act as Chairman.

(b) The President of the Corporation, who shall be the Vice-Chairman of the Board, shall assist the Chairman and act in his stead in case of absence or incapacity.

(c) The Secretary of Industry. Whenever the Secretary of Industry is unable to attend a meeting of the Board, he shall designate an undersecretary to attend as his alternate.

(d) The Director General of the National Economic and Development Authority. Whenever the Director General is unable to attend a meeting of the Board, he shall designate a deputy director general of the Authority to attend as his alternate.

(e) The Solicitor General. Whenever the Solicitor General is unable to attend a meeting of the Board, he shall designate an assistant solicitor general to attend as his alternate.

SECTION 11. *Powers of the Board.* The Board shall have the authority:

(a) To formulate policies to carry out effectively the provisions of this Decree;

(b) To prepare and issue rules and regulations as it considers necessary for the effective discharge of the responsibilities and exercise of the powers assigned to the Corporation under this Decree;

(c) To direct the management, operations and administration of the Corporation;

(d) On the recommendation of the President of the Corporation appoint, fix the remunerations and other emoluments, and remove the personnel of the Corporation: *Provided, however,* That positions considered by the Board to be policy-determining, primarily confidential or highly technical in nature shall not be subject to the Civil Service Law; and

(e) To authorize such expenditures by the Corporation as are in the interest of the effective administration and operations of the Corporation.

SECTION 12. *Meetings.* — The Board shall convene as frequently as is necessary to discharge its responsibilities properly, but shall meet at least once every two weeks. The Board may be convoked either by the Secretary of Finance or by the President of the Corporation.

The presence of three (3) members shall constitute a quorum.

All decisions of the Board shall require the concurrence of at least three (3) members.

SECTION 13. *Remuneration of Members for Attending Meetings of the Board.* — The members of the Board or their respective alternates, except the President of the Corporation, shall receive a per diem of two hundred fifty pesos (P250.00) for every Board meeting attended.

SECTION 14. *President.* — The chief executive officer of the Corporation shall be the President who shall be appointed by the President of the Philippines, upon recommendation of the Board, for a term of six (6) years

unless removed for cause or by reason of incapacity. No person shall be elected President of the Corporation unless he is a native-born Filipino citizen, at least forty (40) years of age, of good moral character and of unquestionable integrity and responsibility, and who is experienced and of recognized competence in the fields of foreign loans and other international financial transactions, banking and law. He shall be assisted by such executive officials as may be necessary for the efficient operation of the Corporation.

SECTION 15. *Powers and Duties of the President.* — The powers and duties of the President of the Corporation shall be:

(a) To prepare the agenda for meetings of the Board and to submit for the consideration of the Board and policies and measures which he believes to be necessary to carry out the purposes and provisions of this Decree;

(b) To execute and administer the policies and measures approved by the Board;

(c) To direct and supervise the operations and internal administration of the Board. He may delegate certain of his administrative responsibilities to other officers of the Corporation, subject to the rules and regulations of the Board; and

(d) To exercise such other powers as may be vested in him by the Board.

SECTION 16. *Remuneration of the President.* — The salary of the President of the Corporation shall be fixed by the Board with the approval of the President of the Philippines. Until such salary has been so fixed, the President of the Corporation shall receive a salary of Sixty thousand pesos (P60,000) *per annum*. The Board may authorize payment of allowances and other emoluments to the President of the Corporation.

SECTION 17. *Other Officials and Employees of the Corporation.* — All officials and employees of the Corporation shall be appointed and removed by the Board, on recommendation of the President of the Corporation.

SECTION 18. *Assistance by Other Government Offices and Corporations.* — Other Government offices and Government-owned and controlled corporations shall extend whatever assistance may be needed by the Corporation, including the detail of its officials and employees to the Corporation on a full-time or part-time basis under arrangements satisfactory to the Corporation and the other Government offices or corporations concerned. Said officials and employees may draw allowances and other emoluments for such assignments, notwithstanding the provision of any law to the contrary.

SECTION 19. *Auditor.* — The Chairman of the Commission on Audit shall act as the ex-officio Auditor of the Corporation and, as such, he is empowered and authorized to appoint a representative who shall be the Auditor of the Corporation and, in accordance with law, fix his salary, and to appoint and fix the salaries and number of the personnel to assist said representative in his work, but in all cases subject to the approval of the Board. The salaries and all other expenses of maintaining the Auditor's office shall be paid by the Corporation. The Auditor of the Corporation and personnel under him may be removed only by the Chairman of the Commission on Audit.

The representative of the Chairman of the Commission on Audit must have at least ten (10) years experience as a certified public accountant.

SECTION 20. *Coordination of Policies.* — Unless otherwise specifically prescribed by this Decree, the Corporation shall coordinate its policies and operations with those of the Central Bank of the Philippines, National Economic and Development Authority, and Board of Investments.

SECTION 21. *Availability of Foreign Exchange.* — Subject to the provisions of Republic Act No. 265, as amended, particularly Section 74 thereof, the Central Bank of the Philippines shall make available to the Corporation the necessary foreign exchange to enable it to comply with its obligations incurred under this Decree.

SECTION 22. *Supervision and Examination by the Central Bank.* — The Corporation shall be subject to the supervision and examination by the Central Bank of the Philippines in accordance with Republic Act No. 265, as amended, and Republic Act No. 337, as amended.

SECTION 23. *Applicability of Central Bank foreign exchange regulations.* — The guarantee operations and all other transactions of the Corporation involving foreign exchange shall be subject to the applicable foreign exchange regulations of the Central Bank.

SECTION 24. *Tax Exemptions.* — Notwithstanding the provision of any general or special law to the contrary, the Corporation, its assets, property, income and transactions shall be exempt from all taxation and government fees and charges.

SECTION 25. *Non-applicability of WAPCO Standards and Scales.* — The Corporation shall not be subject to standards and salary scales prescribed by the Wage and Position Classification Office.

SECTION 26. *Applicability of the Corporation Law and Civil Service Law.* — The provisions of the Corporation Law and Civil Service Law shall apply to the Corporation insofar as they are not inconsistent with the provisions of this Decree.

SECTION 27. *Repealing Clause.* — All laws and executive orders and parts thereof inconsistent herewith are hereby repealed.

SECTION 28. *Effectivity Clause.* — This Decree shall take effect immediately.

DONE in the City of Manila, this 11th day of September, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

PRESIDENTIAL DECREE NO. 579

RATIONALIZING AND STABILIZING THE EXPORT OF SUGAR AND FOR OTHER PURPOSES.

WHEREAS, the current worldwide shortage of sugar has brought about an increasingly speculative interest in sugar which has further induced uncertainty in its price especially in the world market;

WHEREAS, the uncertain fluctuations in the price of sugar will expose the export of sugar to risky speculation which will depress prices adversely affecting the profitability of the sugar industry and the foreign exchange earnings of the country;

WHEREAS, in the interest of the national objective to promote public welfare, the government should take a direct and active role to protect the sugar industry and our national economy from the deleterious effects of speculative ventures with respect to sugar;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby decree and order:

SECTION 1. The Sugar Quota Administration shall from time to time and commencing from the crop year 1973-74, re-allocate such portion of the total sugar production per crop year for export to the United States and world markets as may be necessary to safeguard the sugar industry and the national economy against contingencies brought about by speculative interest in sugar.

In addition to its powers under existing laws, the Sugar Quota Administration shall have the power to issue authorization for the export of sugar in accordance with the re-allocations provided for in the preceeding paragraph.

SECTION 2. To carry out the objective of the Decree, the Philippine Exchange Company, Inc. may be authorized by the President of the Philippines to purchase sugar allocated for export to the U.S. and world markets in a quantity and at a price to be fixed in accordance with the rules and regulations that shall be established by the Sugar Quota Administration, the Philippine National Bank, and the Department of Trade and approved by the President of the Philippines.

SECTION 3. The Philippine National Bank shall finance these purchases of sugar from the following sources of funds:

- (a) Foreign borrowings that the Bank is hereby authorized to obtain, for and in behalf of the Philippine Exchange Company, Inc.;
- (b) Its available loanable funds that it shall lend to the Philippine Exchange Company, Inc.; or
- (c) Proceeds from the rediscounting of loans or notes with the Central Bank of the Philippines.

SECTION 4. To effectively implement the provisions of the preceding section, loans or advances by the Philippine National Bank to the Philippine Exchange Company, Inc. for the purpose directed in this Decree shall be

exempt from the loan limits imposed in the charter of the said Bank.

The Central Bank of the Philippines shall rediscount the loans or notes referred to in paragraph (c) of the preceding section and shall grant the authorization or approval for the foreign borrowings that may be contracted by the Philippine National Bank authorized under paragraph (a) thereof.

Foreign borrowings obtained under these provisions shall be exempt from any and all taxes, including withholding tax.

SECTION 5. The Department of Trade and the Sugar Quota Administration shall extend full cooperation and assistance to the government agencies and entities herein mentioned in order to attain the objectives of this Decree and shall furnish them with such data and information as may be necessary for the effective international marketing of sugar.

SECTION 6. The sugar so purchased by the Philippine Exchange Company, Inc. shall not be disposed of without the prior approval of the President of the Philippines. The Philippine Exchange Company, Inc. shall handle the export and shipment of such sugar to the U.S. and world markets.

SECTION 7. The proceeds of the sugar trading operations of the Philippine Exchange Company, Inc. shall be used to pay the liabilities to the Philippine National Bank, or to the foreign creditors of the Philippine National Bank from whom financing has been obtained.

The Philippine Exchange Company, Inc. shall charge a commission of two and one-half (2-1/2 %) per cent of gross sales, of which one (1 %) per cent shall cover all its overhead expenses and the balance of one and one-half (1-1/2 %) per cent shall be set aside as a fund for the "Sugar Development Program" of the Philippine National Bank.

After deducting its commission of two and one-half (2-1/2 %) per cent of gross sales, the balance of the proceeds of sugar trading operations for every crop year shall be set aside by the Philippine Exchange Company, Inc. as profits which shall be paid to a special fund of the National Government subject to the disposition of the President for public purposes.

SECTION 8. The profits realized by the Philippine Exchange Company, Inc. from the sugar trading operations authorized under this Decree shall be exempt from any and all taxes imposed by the National Government and its political subdivisions.

SECTION 9. All laws, executive orders and administrative orders, rules and regulations inconsistent with the foregoing provisions are hereby repealed or amended accordingly.

SECTION 10. This Decree shall take effect immediately.

DONE in the City of Manila, this 12th day of November, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS

President

Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR

Executive Secretary

LETTERS OF INSTRUCTIONS

**MALACAÑANG
MANILA**

LETTER OF INSTRUCTIONS NO. 154

ANNOUNCING THE APPROVAL AND EFFECTIVITY OF THE ADDENDA TO THE SIXTH INVESTMENT PRIORITIES PLAN AND FOURTH EXPORT PRIORITIES PLAN UNDER THE INVESTMENT INCENTIVES ACT AND EXPORT INCENTIVES ACT.

WHEREAS, pursuant to the provisions of Republic Act No. 5186, otherwise known as the Export Incentives Act, and Republic Act No. 6135, otherwise known as the Export Incentives Act, the Board of Investments has prepared the Addenda to the Sixth Investment Priorities Plan and the same have been submitted to me for approval through, with the recommendation of the National Economic and Development Authority;

WHEREAS, after a careful study of the said Addenda to the Plans and their supporting data, I found the Addenda to be feasible and in conformity with law and accordingly approved it.

NOW, THEREFORE, pursuant to Section 18 of Republic Act No. 5186 and Section 4 of Republic Act No. 6135, I, FERDINAND E. MARCOS, President of the Philippines, do hereby declare and proclaim in effect the Addenda to the Sixth Investment Priorities Plan hereto attached.

Done in the City of Manila, this 26th day of December, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

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LETTER OF INSTRUCTIONS NO. 157

TO: The Secretary of Agriculture and Natural Resources
 The Secretary of National Defense
 The Secretary of Local Governments and Community Development
 The Administrator, National Grains Authority

WHEREAS, local prices of rice, palay and corn have risen dramatically in the last few weeks despite the abundant December and January harvests;

WHEREAS, the present energy crisis has resulted in a general increase in the prices of commodities worldwide, thereby influence the prices of rice and corn;

WHEREAS, the results of the Government's concerted effort in rice production have not yet been fully felt and are still in the process of flowing into the markets;

WHEREAS, there is need for the Government to continue stabilizing the supply and prices of rice and other vital commodities;

WHEREAS, there is need to prevent widespread speculation and hoarding from disturbing the free flow of rice and other such commodities from producers to final consumers;

NOW, THEREFORE, in order to protect the public interest, I hereby direct, pending further orders:

1. That a ceiling on the retail price of milled rice be set at P1.90 per kg. for the island of Luzon.

2. That the support price of palay Ex-farm be set at P0.80 per kg. clean and dry.

3. That paragraph No. 2 of LOI No. 79 requiring that 20% of rice and corn stocks in warehouses be reserved for NGA, among others, is hereby nullified and will have no further force nor effect.

Done in the City of Manila, this 18th day of January, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

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LETTER OF INSTRUCTIONS NO. 158

TO: All Heads Of Departments, Offices And Agencies Of The Government

In view of the necessity of effecting a rational and well-coordinated government borrowing strategy and thereby ensure that such borrowings, aside from meeting valid requirements of government borrowers concerned, can be a positive instrument in further enhancing the country's credit standing and credibility abroad, in strengthening the government negotiating posture and in maintaining the integrity of the fiscal commitments of the Go-

vernment and the country's international reserves, it is hereby ordered that:

1. All foreign borrowing proposals of the Government, Government Agencies and government financial institutions shall be submitted to the Central Bank for approval in principle by the Monetary Board as to purpose and credit terms among others, before commencement of actual negotiations.

2. Actual negotiations for such foreign credits and/or accommodations shall be conducted by the Secretary of Finance and/or Central Bank Governor or their duly authorized representatives as chief or co-chief negotiators, together with the representatives of the Government, government agencies and government financial institutions or entities concerned.

The Secretary of Finance and the Governor of the Central Bank are hereby directed to coordinate in promulgating the implementing rules and regulations as are necessary to give effect to this Letter of Instructions.

Done in the City of Manila, this 21st day of January, in the year of our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

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LETTER OF INSTRUCTIONS NO. 161-A

TO: NEDA
Members of the Monetary Board
All Cabinet Members
All Governors and Mayors

This will constitute the basic strategy which our Government and country will adopt in relation to the inflation crisis which confront all nations in the world today. In our particularly case, the inflation is principally complicated by the sudden rise of the cost of fuel or crude oil from \$200 million to \$700 million, an additional cost of \$500 million. The additional cost of all our requirements which are imported for our development program (excluding crude oil) is another \$500 million.

The cost of importation of all our requirements will therefore increase from \$1,300 million to \$2,300 million.

It is expected that the cost of crude oil as well as other import items like machinery and requirements for factories may still increase.

We must first of all maintain our present level of foreign exchange reserves of \$1 billion in order to sustain our monetary stability.

It will therefore be necessary to increase available foreign exchange for the added import and development costs of P1 billion from the two available sources, namely - loans from abroad and additional earnings from our exports.

To play safe, it will be necessary to borrow the whole amount of \$1 billion which constitutes our additional costs of imports and development.

We will continue our present program economic expansion and not en-

gage in economic retrenchment or constriction which is the orthodox and old or classic solution to domestic inflation. In the first place, this is necessary because our inflation is imported and cannot be modified or mitigated by any unilateral act or internal action on our part. Thus no matter how much we constrict the money supply or reduce the use of gasoline, we could not, by such action, decrease the cost of imported crude oil which price is dictated by the oil-producing countries.

While the monetary and financial authorities will now exert all efforts to borrow foreign exchange from abroad (from the IMF which has a standing offer for countries that do not produce oil as well as from the private sector in as much as our credit standing is good and there had been many offers from Japanese, European and American creditors).

It is predicted by experts that we may not be able to increase our foreign exchange earnings this coming year. I disagree with this prediction. We must now increase the production of exportable items whether such are traditional exports and from existing producers whether they are new products and from new factories set up either in the traditional export industries or outside thereof.

While the monetary and financial authorities have therefore been borrowing from abroad and at the same time setting up the incentives to encourage production of export products, it will be incumbent upon all officers and employees of the government to exert individual and collective efforts to bring about an atmosphere of aggressive encouragement and outright participation, support and aid to all export oriented industries whether old, expanding or new and starting.

I need not reiterate the fact that if we do not increase our export earnings while the prices of such exports may continue to rise like the price of crude oil, there may come a time when we may be unable to pay our loans borrowed to meet such increased prices.

As it is now being programmed, the payment of the indebtedness that we are going to incur will be met by the new projects and increased export production which are presently being set up.

This is therefore both a directive and an appeal to our people to participate actively at their own initiative and without waiting for detailed instructions and/or rules and regulations in the general and sustained efforts at survival through accelerated and increased production of both export and domestic products.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

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LETTER OF INSTRUCTIONS NO. 166

TO: The Chairman-General Manager
Philippine Virginia Tobacco Administration

Pursuant to Proclamation No. 1081 dated September 21, 1972, and in my capacity as Commander-in-Chief of all the Armed Forces of the Philippines, and in order to accelerate the development of the Virginia tobacco industry and to advance the economic well-being of the millions of people who are depending upon it, you are hereby ordered:

1. To regulate, control and supervise the trading of Virginia tobacco which shall be done only at trading centers to be designated by you in strategic places in the North.
2. To conduct research work for the Virginia tobacco industry in all its phases, with particular emphasis on the search for fuel substitutes for flue-curing in view of the energy crisis and forest denudation.
3. In order to augment the income of the tobacco farmers due to the rise in the cost of production, such as: cost of fertilizers, insecticides, and fuel; and considering that the prices of Virginia tobacco prescribed under Republic Act No. 1194 and Presidential Decree No. 62, were determined twenty (20) years ago, you shall also see to it that no person shall buy or sell locally grown flue-cured leaf tobacco at prices lower than the following:

GRADE	PRICE
A	P 5.00
B	4.50
C	4.00
D	3.50
E	3.00

4. To carry out the above instructions, you are hereby authorized and directed to collect a research and regulation fee equivalent to four percentum (4%) of the gross purchase price of every kilogram of the flue-cured tobacco sold, to be paid by the producer-seller. No buyer shall deduct a shrinkage allowance in excess of six percentum (6%) of the gross purchase price of the tobacco:
5. To require every trading center operator to contribute to the Philippine Virginia Tobacco Board created under Executive Order No. 331, s. of 1971, the amount of P0.025 per net kilo of tobacco bought at the trading centers, which shall be due and payable at the end of the trading season and shall be used for the improvement of the Virginia tobacco industry. The PVTB shall spend for the same purpose an amount at least equal to whatever is contributed by the trading center operators.
6. To direct the management and operation of trading centers in order to see that a system of recording all tobacco purchased is instituted and that payment to the farmers shall be in cash and not lower

than the new schedule of prices.

All concerned, particularly the cigarette manufacturers, tobacco redriers and exporters, tobacco entities and producers are enjoined to take notice of this Order.

Any violation of this Order shall mean the outright cancellation, withdrawal, and revocation of the permit to trade, the closure of the establishment involved, as well as the arrest and prosecution of any person concerned. In the implementation hereof, you shall coordinate with the Bureau of Internal Revenue and other proper agencies of the government.

Done in the City of Manila, this 25th day of February, in the Year of our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

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LETTER OF INSTRUCTIONS NO. 167

TO: The Chairman-Administrator
Export Processing Zone Authority

The Governor
Central Bank of the Philippines

The Commissioner
Bureau of Internal Revenue

The Commissioner
Bureau of Customs

The Director
Bureau of Standards

WHEREAS, as sustained national growth calls for the establishment of a secure position in the growing international export market;

WHEREAS, in order to attain the foregoing objective, one of the more significant steps initiated by the Government is the establishment of an export processing zone in Mariveles, Bataan, under Presidential Decree No. 66; and

WHEREAS, to accelerate and expand our export trade, and to optimize its consequential benefits to the national economy, it is imperative to expedite the exportation of zone-made products by simplifying the export procedures that would apply thereto;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, pursuant to Proclamation No. 1081 dated September 21, 1972, as amended, do hereby direct the adoption and implementation of the following rules and regulations, which shall govern exclusively the exportation of goods and merchandise emanating from the Bataan Export Processing Zone or any other zone established under Presidential Decree No. 66:

SIMPLIFIED EXPORT PROCEDURE FOR ENTERPRISES REGISTERED WITH THE EXPORT PROCESSING ZONE AUTHORITY UNDER PRESIDENTIAL DECREE NO. 66

RULE 1. Definitions

- A. "Decree" shall mean Presidential Decree No. 66.
- B. "Authority" shall mean the Export Processing Zone Authority.
- C. "Simplified Export Procedure" shall mean the reduction in the number of forms to be accomplished and steps to be undergone by a registered exporter.
- D. "Registered Exporter" shall mean a Zone enterprise registered with the Export-Processing Zone Authority.
- E. "Export Permit" shall mean EPZA Form No. 8103 which authorizes the registered exporter to export the goods declared in the Export Permit.
- F. "PTS" shall mean the Philippine Trade Standard mark given by the Bureau of Standards with respect to standardized products.
- G. "Zone" shall mean the Bataan Export Processing Zone, or any other Zone established under Presidential Decree No. 66.

RULE II. Applicability of the Simplified Export Procedure

The simplified export procedure shall apply exclusively to a registered exporter as defined in Rule I(D) above.

RULE III. Export Documentation

- A. The registered exporter shall be exempt from filing the Report of Foreign Sales, Central Bank E. D. Form No. 101.
- B. In lieu of the existing export licenses or Central Bank E. D. Form No. 102, the registered exporter shall apply for an Export Permit with the Export Processing Zone Authority on EPZA Form No. 8103. There shall be eight (8) copies of each export permit to be

distributed as follows: the original and one copy to the National Export Coordinating Center of the Bureau of Customs; two copies to the Central Bank to be submitted as prescribed by existing Central Bank regulations; one copy to the registered exporter; one copy to the negotiating bank; one copy to the shipping agent; and one copy for the Export Processing Zone Authority.

- C. The registered exporter shall be exempt from filing the Export Entry, Bureau of Customs Form No. 25.
- D. The registered exporter shall likewise be exempted from the export clearance being issued by the Bureau of Internal Revenue.
- E. The commodity clearance of exportable products from the Zone shall be done semestrally or annually by the proper agency.

1) If the registered exporter has a PTS marking from the Bureau of Standards for its standardized exportable products, the same shall constitute the annual commodity clearance for the said products.

2) If the registered exporter has not yet secured its PTS for its products, the Authority shall require that such enterprise apply with the Bureau of Standards for a PTS within six (6) months after its registration with the Authority. Until such time as the said PTS is actually granted, the commodity clearance shall be done on a semestral basis.

RULE IV. Simplified Procedure

- A. Upon approval of the Export Permit by the Export Processing Zone Authority, the original and a copy of the same shall be forwarded by the Authority directly to the National Export Coordinating Center of the Bureau of Customs. The copies for the Central Bank shall be submitted as prescribed by the Central Bank. No further processing of the Export Permit shall be done by the National Export Coordinating Center, except to authorize the loading of the cargo, which authorization shall be granted by the Collector of Customs or his official representative. The customary Commercial Invoice and the Commodity Clearance, together with the Export Permit authorizing actual loading of the cargo, shall be forwarded by the National Export Coordinating Center to the Customs Inspector on board the vessel where cargo will be loaded.
- B. The registered exporter shall pay the arrastre charges prior to actual loading of the cargo.
- C. The registered exporter shall load the cargo in the presence of the Customs Inspector to whom the Commercial Invoice, the Commodity Clearance and the Export Permit of the said registered exporter shall have been previously forwarded. The Customs Inspector shall have no authority to open or inspect the goods being loaded.

RULE V. Repatriation and Liquidation of Foreign Exchange Proceeds from Exports

Foreign exchange proceeds from exports shall be received in foreign currencies acceptable to form part of the International reserves and shall be repatriated and liquidated in accordance with Central Bank regulations.

Done in the City of Manila, this 25th day of February, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

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LETTER OF INSTRUCTIONS NO. 171

TO: The Monetary Board
and the Governor,
Central Bank of the Philippines

WHEREAS, the Philippines is a substantial gold producer and one of the gold exporting countries of the world;

WHEREAS, the increase in the price of gold in recent months has provided encouragement and impetus to domestic gold production;

WHEREAS, the establishment in the Philippines of a refinery for refining gold to a fineness acceptable in gold trading centers, here or abroad, will further encourage domestic gold production and economic activity;

WHEREAS, considering its functions, objectives, and facilities, it would be appropriate for the Central Bank of the Philippines to establish such a gold refinery;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, do hereby direct the Monetary Board and the Governor, Central Bank of the Philippines, to take all necessary steps for the establishment of a gold refinery, suitable in design and capacity for the needs of the country, as soon as practicable.

Done in the City of Manila, this 27th day of February, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

LETTER OF INSTRUCTIONS NO. 175

TO: The Secretary, DANR
 The Secretary, DLGCD
 The Governor, CB
 The Administrator, NGA
 The President, PNB
 The Administrator, ACA
 Philippine Association of Feed
 Millers, Inc.
 Provincial Governors
 Mayors

Pursuant to Proclamation No. 1081 dated September 21, 1972, and in connection with the nation's expanded food production program, the Department of Agriculture and Natural Resources, through the National Food and Agriculture Council, shall intensify the production of white corn and feed-grains to make our country self-sufficient in these cereals. The program shall be implemented in collaboration with the other government agencies and the private sector, and will be called "Masaganang Maisan."

NOW, THEREFORE, to insure the successful implementation of "Masaganang Maisan", I hereby issue the following orders:

1. The Secretary of Agriculture and Natural Resources, through the National Food and Agriculture Council (NFAC), shall oversee and coordinate the activities of all participating government agencies and instrumentalities, as well as the private sector.
2. The DLGCD, through its Governors and Mayors, shall spearhead the Program in the selected priority provinces and municipalities. The Provincial Governors shall assume the responsibility as Chairman of their respective Provincial Action Committees and the Mayors as Chairman of the Municipal Action Teams.
3. The PNB, through its President, the Central Bank - Department of Rural Banks, through the Governor, and the ACA, through its Administrator, shall support this program through their respective offices and subordinates by extending financial assistance to the farmer cooperators at the rate of P500/ha. for corn and sorghum and P650/ha. for soybeans.
4. The National Grains Authority (NGA) through its Administrator, shall implement a support price of P0.62/kilo for white and yellow corn and sorghum and P2.20/kilo for soybeans.
5. The Secretary of Agriculture shall, preferably thru the Philippines Association of Feed Millers, Inc. and its member companies and their instrumentalities, develop an efficient marketing scheme by

establishing buying stations to absorb the produce of small farmers, especially soybeans and sorghum.

This Letter of Instructions shall take effect immediately.

Done in the City of Manila, this 11th day of March, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

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LETTER OF INSTRUCTIONS NO. 176

TO: The Director General
National Economic and Development Authority

In order to introduce the deliberative element in the formulation of tariff policies and thereby attain judicious policy recommendations on tariff matters, there is need to implement the provisions of the Integrated Reorganization Plan relative to the conversion of the Tariff Commission into a collegial body of three members.

You are therefore hereby directed to take the necessary steps to implement the provisions of Article VIII, Chapter I, Part VI of the Integrated Reorganization Plan.

Done in the City of Manila, this 20th day of March, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

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LETTER OF INSTRUCTIONS NO. 177

TO: 1. The Director-General
National Economic and Development
Authority (NEDA)
2. The NEDA Board

Recognizing that the procedures for certification and recommendation by the NEDA, and investigation by the Tariff Commission under Sections 105, 106, 401, 402, 514 and 515 of the Tariff and Customs Code, as amended, need to be simplified and streamlined to facilitate action, and upon recommendation of the NEDA Board, I have approved, as I am hereby approving

and declare effective, the rules and regulations adopted and promulgated by the NEDA Board on February 22, 1973, to govern the certification and recommendation by the NEDA and investigation by the Tariff Commission under Sections 105, 106, 401, 402, 514 and 515 of the Tariff and Customs Code as amended by Presidential Decree Nos. 34 and 230.

I am also hereby authorizing the NEDA Board to make such changes and revisions in the aforesaid rules and regulations whenever the said Board deems it necessary and proper.

All concerned are enjoined to act accordingly.

Done in the City of Manila, this 20th day of March, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

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LETTER OF INSTRUCTIONS NO. 182

TO: Secretary of Finance
Executive Secretary
Secretary of National Defense
Acting Chairman, Philippine Amanah Bank

Pursuant to the provisions of Presidential Decree No. 264 dated August 2, 1973, creating the Philippine Amanah Bank; and in line with the policy of the Government to hasten the economic development of Mindanao, I hereby issue the following orders:

1. I hereby designate Dr. Mamitua Saber, Executive Vice President, Philippine Amanah Bank and concurrently Acting Officer-in-Charge of the Philippine Amanah Bank, vice Mr. Tauti Derico and as such he is directed to perform the specific instructions hereunder, as follows:

a. Establish the offices of the Philippine Amanah Bank in Manila and in Zamboanga City, and branches thereof in the cities of Cotabato, Marawi and the town of Jolo and employ the necessary personnel to man these offices and branches;

b. In coordination with the Chairman of the Inter-Agency Task Force for the Rehabilitation of Jolo, prepare and implement a policy for emergency loans to the residents of Jolo;

c. Contract the necessary services for the preparation of the PAB offices and branches, including the lease of premises and/or buildings thereof, and the procurement of necessary supplies and equipment;

d. Maximize the number of trainees of the Philippine Amanah Bank for the immediate operations of the Bank in other designated areas and for their possible employment in other government financial institutions;

2. In view hereof, the Acting OIC, Philippine Amanah Bank is hereby authorized to appropriate and disburse funds of the Philippine Amanah Bank, subject to availability thereof, and to auditing and accounting requirements.

Done in the City of Manila, this 8th day of April, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

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LETTER OF INSTRUCTIONS NO. 183

TO: The Chairman-General Manager
Philippine Virginia Tobacco
Administration

In view of the increased costs in the redrying and processing of tobacco, which have adversely affected local manufacturers of cigarettes and exporters of tobacco, it is necessary that an adequate incentive be provided to said manufacturers and exporters to enable them to maintain the present level of selling prices of cigarettes, with respect to the manufacturers, and that of buying prices of leaf tobacco, in the case of the exporters.

Likewise, it is necessary that tobacco farmers be relieved of the present burden of contributing to the support of trading centers.

To accomplish the above aims, it is hereby directed that the research and regulation fee of four per cent of the gross purchase price of every kilogram of flue-cured tobacco sold, paid by the producer-seller, as provided in Letter of Instructions No. 166 dated February 25, 1974, be reduced to a straight fee of ten centavos (P0.10) per every kilogram of flue-cured tobacco sold, to be paid by the buyer.

This takes effect immediately.

April 16, 1974

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

LETTER OF INSTRUCTIONS NO. 185

TO: The Secretary of Finance
 The President, Philippine National Bank
 The Chairman, Development Bank of the Philippines
 The Administrator, National Grains Authority
 All Concerned

WHEREAS, it is the avowed policy of the administration to promote and intensify the production and processing of crops, more particularly rice, corn and other cereals which are the staple food of the people;

WHEREAS, there are existing up-country drying and storage facilities, otherwise known as butler up-country warehouses which were previously imported by the defunct Rice and Corn Administration, financed by the Philippine National Bank and guaranteed by the Development Bank of the Philippines, which up to now are not fully utilized;

WHEREAS, the non-settlement of the obligation of the defunct Rice and Corn Administration with the Philippine National Bank has affected the operations of said facilities;

WHEREAS, in order to remove a major stumbling block in placing said facilities into maximum economic use;

NOW, THEREFORE, in order to facilitate the full utilization of these butler up-country warehouses, I, President Ferdinand E. Marcos hereby direct:

1. That the national government thru the Secretary of Finance assume whatever outstanding obligations the defunct Rice and Corn Administration had incurred with the Philippine National Bank, the Development Bank of the Philippines, and/or other persons or entities as regards to/or in relation to the importation, storage and installation of said butler up-country warehouses under similar mode of payment or settlement made as in other obligations of the defunct Rice and Corn Administration with the Philippine National Bank and other institutions as envisioned by Presidential Decree No. 4;
2. That henceforth, the ownership and administration of said facilities are hereby transferred to the National Grains Authority, being the most appropriate government Agency concerned: and for this purpose said agency is hereby instructed and empowered to devise ways and means to put these facilities into economic use including the relocation, installation or rehabilitation either by itself or through private end-users, or jointly as the authority may determine; and
3. That for this purpose and for the development of other facilities of the National Grains Authority, the Development Bank of the Philippines shall give preferential financial support and shall make available to the authority and private corporations and individuals, its funds as well as funds secured from the IBRD.

Done in the City of Manila, this 13th day of May, in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

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LETTER OF INSTRUCTIONS NO. 211

TO: The Secretary of Agriculture
 The Secretary of Public Highways
 The Secretary of Public Works
 The Commissioner of the Budget
 The Governor of the Central Bank
 The President, Philippine National Bank
 The Administrator, Agricultural Credit Administration
 The President, Land Bank
 The Administrator, National Grains Authority
 The Administrator, National Irrigation Administration
 The Executive Director, Fertilizer Industry Authority

In view of the extensive damage to agriculture wrought by the recent floods in the provinces of Bataan, Rizal, Tarlac, Pampanga, Bulacan, Zambales, Laguna, Cavite, Nueva Ecija, Quezon, Pangasinan, Benguet and Aurora sub-province, and in order to speed up the replanting and rehabilitation of all damaged areas, I hereby issue the following instructions:

1. The Central Bank, the Philippine National Bank, and the Agricultural Credit Administration are directed to consolidate all past-due obligations of farmers in the calamity-stricken areas and restructure these over a maximum period of three years. I further order that the maximum limit for Masagana 99 loans be raised from the present P1,200 ceiling up to P1,500 per hectare on a case-to-case basis as may be certified by the production technician and/or the Provincial Program Officer involved.
2. The National Irrigation Administration (NIA) is hereby instructed to immediately service and repair all irrigation pumps which were submerged by flood waters, and to hire or contract for this purpose additional personnel as may be needed for the duration of the emergency. The Department of Agriculture, through the National Food and Agriculture Council, is likewise directed to allocate such amount from its program adjustment fund as may be required by the NIA for such purposes to supplement NIA funds.
3. The Department of Public Highways shall give top priority to the repair of all damaged roads, bridges and highways under its jurisdiction.

4. The Department of Public Works shall give top priority to the immediate repair of all damaged dikes and flood control systems, giving special attention to the following: the Francis dike and flood-gate, the Pasig-Potrero dike, and the Kitangil-Abacan River dike.
5. The Department of Agriculture, through the Bureau of Plant Industry (BPI), is ordered to immediately procure at prevailing prices and make available to farmers the required rice seeds at half-price, if necessary payable after the next harvest in cash or in kind. The BPI and the Department of Agriculture are hereby authorized to utilize the Seed Procurement Fund or any other funds for this purpose.
6. The Department of Agriculture, through the Bureau of Agricultural Extension and the Bureau of Plant Industry, is hereby authorized to hire as production technicians, agricultural high school graduates, if necessary and in the absence of agriculture college graduates, all provisions to the civil service rules and regulations to the contrary notwithstanding.
7. The Fertilizer Industry Authority shall allocate the fertilizer requirements of the areas to be replanted, as determined by the National Food and Agriculture Council.
8. The National Grains Authority shall make available to farmers in the affected areas the required rice dryers to salvage rice crops.
9. The Budget Commission is hereby ordered to release the first and second quarter appropriations for Fiscal Year 1974-75 of all the above-cited government agencies.
10. All the above-cited government agencies directly involved in the rehabilitation drive are hereby authorized to allow their personnel to render overtime work for the duration of the emergency for the projects of repair referred to in the foregoing paragraphs in the calamity areas.

All provisions of other Letters of Instructions inconsistent with these orders are hereby repealed or modified accordingly.

This Letter of Instructions shall take effect immediately.

Done in the City of Manila, this 22nd day of August in the year of Our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

CENTRAL BANK CIRCULARS AND MEMORANDA

BANGKO SENTRAL NG PILIPINAS

(Central Bank of the Philippines)

Maynila, Pilipinas

CIRCULAR NO. 397

January 21, 1974

AMENDING CIRCULAR No. 265, AS AMENDED

Pursuant to Monetary Board Resolution No. 107, dated January 18, 1974, paragraph 4 of Circular No. 265, as last amended by Circular No. 383, is hereby further amended to read as follows:

4. Any person, firm, company or corporation, may import or export, and any incoming or outgoing traveller may bring with him, Philippine notes and coins, and checks, money orders and other bills of exchange drawn in pesos against banks operating in the Philippines in an amount not exceeding P500.00; PROVIDED, THAT UNTIL OTHERWISE PRESCRIBED BY THE CENTRAL BANK, PHILIPPINE NOTES, INCLUDING THE CURRENCY NOTES CALLED IN FOR REPLACEMENT AND DEMONETIZATION UNDER PRESIDENTIAL DECREE NO. 168 OF APRIL 2, 1973, MAY BE BROUGHT INTO THE PHILIPPINES ONLY BY INCOMING PASSENGERS IN AMOUNTS NOT EXCEEDING P500.00 FOR EACH PASSENGER WITHOUT EXCEPTION.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 398

January 25, 1974

ON THE EXCHANGE OF THE CURRENCY NOTES ISSUE OUTSTANDING AS OF JULY 1, 1973 WHICH HAVE NOT BEEN SURRENDERED FOR REPLACEMENT ON OR BEFORE JANUARY 2, 1974

Pursuant to the provisions of Sections 1 and 2 of Presidential Decree No. 168, amended by Presidential Decree No. 378, the following rules and regulations governing the exchange of the currency note issue of the Central Bank outstanding as of July 1, 1973 which have not been surrendered for replacement on or before January 2, 1974, are hereby promulgated:

SECTION 1. The currency note issue of the Central Bank outstanding as of July 1, 1973 which have not been surrendered for replacement with

"Ang Bagong Lipunan" series on or before January 2, 1974 are no longer legal tender but they may be exchanged at par and without change in the Central Bank and in all commercial banks, savings banks, development banks and rural banks which are hereby authorized to exchange the aforementioned old currency notes up to February 28, 1974.

SECTION 2. Provincial, City and Municipal Treasurers are also hereby authorized to exchange the aforementioned old currency notes up to February 21, 1974 only. They shall deposit or exchange said notes in their possessions in the Philippine National Bank or any of its branches and agencies, or in any other authorized agent bank not later than February 28, 1974.

SECTION 3. After February 28, 1974, all such currency notes which have not been exchanged with "Ang Bagong Lipunan" series shall cease to be a liability of the Central Bank and shall be considered demonetized.

SECTION 4. On February 28, 1974, all the aforementioned authorized agent banks, including branches and agencies, shall make available the services of at least one teller until 12:00 midnight of said date for the purpose of exchanging old currency with "Ang Bagong Lipunan" notes. Immediately thereafter, they shall make a list or inventory of all the aforementioned old currency notes in their possessions as of February 28, 1974 and advise the Central Bank by telegram giving the total amount in words and figures. They shall transmit said list of inventory (categorized by English or Filipino series and denominations) the following day (March 1, 1974) in a sealed envelope to the Cash Department, Central Bank, Manila.

SECTION 5. The above-named authorized agent banks shall ship (through their respective head offices) to the Central Bank of the Philippines, Manila, or directly to any of the regional offices (in case of provincial banks/branches/agencies) the currency notes appearing in the aforesaid list of inventory for deposit or exchange not later than March 15, 1974.

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 399
March 25, 1974

AMENDMENTS TO CIRCULAR No. 359 DATED JANUARY 22, 1973
PRESCRIBING PENALTIES FOR WILFUL DELAY IN THE SUB-
MISSION OF REPORTS REQUIRED TO BE SUBMITTED TO THE
CENTRAL BANK AND REFUSAL TO PERMIT EXAMINATION IN-
TO THE AFFAIRS OF BANKING INSTITUTIONS.

Pursuant to Monetary Board Resolution No. 370 dated February 22, 1974, the fines imposed on rural banks and savings and loan associations for wilful delay in the submission of reports as defined in Section 1 of Central

Bank Circular No. 359 dated January 22, 1973, are hereby revised as follows:

- P10.00 per banking day for the first five successive banking days of default; and thereafter,
- P20.00 per banking day for the next five successive banking days of default; and thereafter,
- P30.00 per banking day for the succeeding banking days of default until the particular report has been filed in accordance with Section 2 (b) of the aforementioned circular.

In the implementation of the foregoing rules, delay or default shall start to run on the day following the last day required for submission of the reports. However, should the last day of filing fall on a non-working day in the locality where the reporting bank is situated, delay or default shall start to run on the day following the next working day.

The effectivity of the foregoing revised schedule of fines for wilful delay in the submission of reports by rural banks and savings and loan associations shall retroact to January 22, 1973.

This Circular amends Section 2 of the aforementioned Central Bank Circular No. 359 insofar as rural banks and savings and loan associations are concerned.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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CIRCULAR NO. 400
April 8, 1974

Pursuant to Monetary Board Resolutions Nos. 2370 and 550 dated November 21, 1973 and March 15, 1974, respectively, the following amendments to Circular No. 247 dated July 21, 1967, as amended by Circular No. 294 dated March 10, 1970 and Circular No. 295 dated March 20, 1970, covering no-dollar imports, are hereby effected:

1. The following sub-paragraphs of paragraph 1 thereof shall henceforth read as follows:
 - “e) Cinematographic films, television films and technical and scientific films imported for exhibition in the Philippines whether for profit or otherwise; provided that in the case of cinematographic films, the importer must have a valid and subsisting film distribution or rental contract with the suppliers duly approved by the Central Bank;
 - “m) Samples (except medicinal/pharmaceutical) and advertising materials destined exclusively for display, demonstration, modeling, exhibition or promotional purposes and/or for eventual distribution with an aggregate value not exceeding \$200.00, unless there is evidence of abuse in the use of this

privilege; provided, however, that the consignees are duly-registered enterprises;

- “p) Articles donated from abroad and consigned to duly established or duly incorporated international civic organizations as well as local relief, religious or charitable institutions or societies which articles are, by nature and destination, for the exclusive use of the donees and not for barter, sale or hire; provided, however, that in every case proof must be shown that the articles are covered by Deed/s of Donation and Deed/s of Acceptance duly executed by the parties concerned, and that the donee/s shall, except in the case of purely religious articles or those articles the nature of which prevents their utilization for any other purpose other than purely religious purposes, certify under oath that the articles so received shall be for free distribution to the needy;
 - “v) Importations not covered by letters of credit but authorized under the provisions of agreements to which the Government of the Republic of the Philippines or any of its agencies or instrumentalities is a party;
2. Paragraph 1 of the above-mentioned Circular No. 247, as amended, shall include the following sub-paragraphs:
- “x) Medicinal and/or pharmaceutical samples for advertising or promotional purposes only brought in with commercial stocks of the same kind or brand or arriving within a reasonable time after shipment of the commercial stock of the same kind or brand effected thru regular importation, not to exceed 20% of the value of such commercial shipment; and
 - “y) Short shipments or replacements of defective parts/supplies covered by manufacturers’ warranties, subject to the consignee/s’ bank’s certification that the short shipments are covered by an established L/C or are payable under other approved modes of payment (i.e., D/A; O/A; etc.) and in the case of replacements for defective parts, the same shall additionally be supported by the supplier/s’ certificate that the goods are being shipped under the manufacturer’s warranty.
3. All other provisions of Circular No. 247, as amended, shall continue to remain in force.
4. This Circular shall take effect immediately.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

CIRCULAR NO. 401

April 24, 1974

SUBJECT: GOLD TRANSACTIONS IN THE PHILIPPINES

Pursuant to Sec. 72 of R.A. 265, as amended, and in accordance with Resolution No. 817 dated April 19, 1974, of the Monetary Board, the following regulations on gold transactions are hereby promulgated:

SECTION 1. On the effective date of this Circular, Philippine primary gold producers may (a) sell all or part of their refined gold production to Authorized Gold Dealers of the Central Bank (as hereinafter defined), or (b) retain such refined gold production abroad for their own account for sale at some future date to Authorized Gold Dealers or in the free gold market abroad in accordance with present regulations.

Purchases of gold by Authorized Gold Dealers from primary gold producers shall be based on the current London Gold Market price as quoted in U.S. dollars multiplied by the interbank guiding rate on the date of sale. The London Gold Market price shall be posted daily at the Trading Room of the Foreign Exchange Department of the Central Bank.

SEC. 2. Commercial banks with aggregate resources of not less than P1 billion and net worth of not less than P100 million as of the effective date of this Circular are hereby designated Authorized Gold Dealers of the Central Bank. Other banks, however, may be authorized by the Monetary Board to act as gold dealers, on a case-to-case basis. The Central Bank shall from time to time furnish the primary gold producers with a list of such banks which have qualified as Authorized Gold Dealers.

SEC. 3. Authorized Gold Dealers may buy gold offered for sale by primary gold producers. Gold which may be purchased or traded by Authorized Gold Dealers must be international standard gold bars refined to not less than .995 fine by Central Bank approved refineries, the first of which is Johnson Matthey Chemical Ltd. of London, England. From time to time, gold producers shall be furnished by the Central Bank with a list of Central Bank approved refineries.

SEC. 4. Purchase and sale of gold in the Philippines shall be made in Philippine currency, with the exception of sales of gold by Authorized Gold Dealers or primary gold producers, in the international free gold market which shall be effected in acceptable foreign currencies.

SEC. 5. Authorized Gold Dealers may freely buy and sell gold among themselves or sell gold in the free gold market abroad, based on its current free market price. They may fix among themselves the daily interbank gold price which they may use as guide in their buying and selling operations.

SEC. 6. Primary gold producers may borrow pesos from Authorized Gold Dealers up to 80% of the value, based on the producer's assay of the gold shipment used as collateral. The loan which shall have maturities of

from 30 to 360 days shall be granted upon the shipment of the gold for refining at the Central Bank approved refinery, with interest not exceeding 6% per annum. The gold used as collateral shall be covered by a duly executed chattel mortgage in favor of the lending Authorized Gold Dealer, and the collateralized gold shall be held in the depository for account of the latter.

SEC. 7. Authorized Gold Dealers may borrow funds from the Central Bank either by discounting the promissory notes of gold producers with the Central Bank at 4%, or by securing peso advances up to 100% of the value of gold purchased outright from gold producers for periods up to 360 days at an interest rate of 4%.

SEC. 8. Peso advances extended by the Central Bank and the discounted promissory notes under the preceding section shall be liquidated immediately after the sale of the gold either by the Authorized Gold Dealer or the primary gold producer, as the case may be, in accordance with the terms of the chattel mortgage.

SEC. 9. Authorized Gold Dealers may keep their refined gold with foreign and/or resident depositories.

SEC. 10. Refined gold purchased by Authorized Gold Dealers shall form part of their foreign exchange assets.

SEC. 11. Authorized Gold Dealers shall report daily to the Central Bank in CBP-FED Form 1 their gold transactions in the same manner as they report their foreign exchange transactions.

SEC. 12. All provisions of existing circulars, memoranda and regulations of the Central Bank governing transactions in gold inconsistent with the provisions hereof are hereby revoked.

SEC. 13. Violation of any of the provisions of this Circular or of such other rules or directives which may be issued by the Central Bank in the implementation of this Circular, may subject the offenders to the administrative sanctions which may be imposed by the Central Bank of the Philippines or to the penal provisions of R.A. 265 (Central Bank Act) as amended by Presidential Decree No. 72 dated November 29, 1972, or to both such administrative and penal sanctions, whenever applicable.

SEC. 14. This Circular shall take effect May 2, 1974.

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

CIRCULAR NO. 402

April 5, 1974

**ON THE CONFISCATION AND DISPOSITION OF DEMONETIZED
NOTES DISCOVERED IN CIRCULATION AS CURRENCY**

Pursuant to Section 52 of Republic Act No. 265, as amended by Presidential Decree No. 72 dated November 29, 1972, the following rules and regulations governing the confiscation and disposition of demonetized notes discovered in circulation are hereby promulgated:

SECTION 1. The currency note issue of the Central Bank outstanding as of July 1, 1973 which have not been surrendered for replacement with "Ang Bagong Lipunan" series on or before February 28, 1974, ceased to be a liability of the Central Bank and are demonetized pursuant to Presidential Decree No. 168, as amended by Presidential Decree No. 378.

SECTION 2. All commercial banks, savings banks, rural banks, development banks and savings and loan associations as well as provincial, city and municipal treasurers with whom the demonetized note(s) referred to in the preceding Section are deposited or tendered as currency for any purpose whatsoever are hereby authorized to confiscate said demonetized note(s). The confiscated note(s) shall then be stamped "DEMONETIZED" twice on the face and on the reverse side thereof: Provided, however, that when stamping is not possible, the word "DEMONETIZED" shall be written in ink in bold letters on the places aforesated.

SECTION 3. Upon confiscation of demonetized note(s), a receipt therefor shall be issued to the depositor or passer, indicating his name and address, date of confiscation, and the denomination and serial number of the note(s).

SECTION 4. All confiscated demonetized notes, together with copies of the receipts issued therefor, shall be immediately forwarded to the Cash Department, Central Bank of the Philippines, Manila, for destruction by burning.

SECTION 5. This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) AMADO R. BRIÑAS

Senior Deputy Governor

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CIRCULAR NO. 403

May 8, 1974

**RULES AND REGULATIONS GOVERNING THE
ESTABLISHMENT OF RURAL BANKS BY COOPERATIVES**

Pursuant to Monetary Board Resolution No. 830 dated April 26, 1974 and in line with the provisions of Presidential Decree No. 175, the Rural

Banks Act (Republic Act No. 720 as amended) and other related laws, the following rules and regulations governing the establishment of rural banks by cooperatives are hereby promulgated:

SECTION 1. Cooperative Defined. - Cooperatives shall mean only organizations composed primarily of small producers and of consumers who voluntarily join together to form business enterprises which they themselves own, control and patronize. A small producer shall mean a self-employed individual who, by himself or with his family, provides the primary labor requirements of his business enterprise or one who earns at least fifty per cent of his gross income from the payment, proceeds or income of the labor he provides.

For purposes of these Rules and Regulations, the following shall be considered Cooperatives:

1. All kilusang bayans (Cooperatives) as defined in Presidential Decree No. 175 and Letter of Implementation No. 23; and
2. All samahang nayons (Barrio Associations) and all other registered pre-cooperatives organizations which enjoy the status of provisional cooperatives, as certified by the Bureau of Cooperatives Development.

SECTION 2. Organization of Rural Banks by Cooperatives. - Duly established cooperatives, i.e., registered or re-registered under Presidential Decree No. 175, including credit cooperatives registering as rural banks under Letter of Implementation No. 23, may organize rural banks in accordance with the provisions of this Circular.

SECTION 3. Organization Requirements. - The requirements for the establishment of rural banks by cooperatives shall be the same as those prescribed in the Central Bank guidelines for the establishment of rural banks by natural persons, except as otherwise specified in this Circular.

SECTION 4. Applications to be Given Priority Consideration. - Priority consideration shall be given to applications for permits to organize rural banks in municipalities where there are no existing rural banks and in areas where banking facilities are inadequate, as may be determined by the Central Bank.

SECTION 5. Application Documents. In addition to the regular documents required under existing Central Bank rules and regulations, a cooperative-organizer shall submit the following documents to the Department of Rural Banks and Savings and Loan Associations:

- a. Resolution of the Board of Directors of the cooperative authorizing said cooperative to be an incorporator or subscriber of the proposed rural bank and indicating the name of the authorized representative of the cooperative in the proposed bank as well as the amount the cooperative will invest in the proposed rural bank;

- b. Proof of due registration of the cooperative with the Bureau of Cooperatives Development, DLGCD;
- c. Certified statements of condition of the cooperative for one year immediately preceding the filing of the application to organize the rural bank: Provided, however, that in the case of a cooperative which has been in operation for less than one year, a statement of condition for the period covering its initial stage of operation shall be sufficient;
- d. A certificate of good standing of the cooperative-organizer from the Bureau of Cooperatives Development, DLGCD; and
- e. Such other documents as the DRBSLA may deem necessary.

SECTION 6. Limitation on Shareholdings of Cooperatives. Ownership of stock in a rural bank shall be as widely dispersed as possible. Pursuant to Section 12-B of the General Banking Act (R.A. No. 337, as amended), no cooperative shall own or control more than 30% of the voting shares of a rural bank. This limitation shall also apply to cooperatives purchasing government-held preferred shares which are converted into common stocks.

In the case of credit cooperatives registering as rural banks, no member or group of members related to one another by consanguinity or affinity within the third degree, shall own more than 35% of the voting stocks of the rural bank.

SECTION 7. Residence of Cooperative. For the purpose of determining the residence of a cooperative-organizer, the place of its principal office as indicated in its articles of incorporation shall be considered its place of residence.

SECTION 8. Rules in Cases Where There are Two or More Applicant Groups Organizing a Rural Bank in the Same Locality. In cases where there are two or more groups applying for a permit to organize a rural bank in the same locality, the selection of the applicant group to be given priority shall be determined as follows:

- a. As between an existing credit cooperative registering as a rural bank and a cooperative applying for the organization of a rural bank in the same locality, preference shall be given to the former. In case there are two or more credit cooperatives located in the same locality applying for registration as rural banks, preference shall be based on the criteria prescribed in letters (d) and (e), below.
- b. Preference shall be given to the applicant group where one or some of the incorporators or subscribers are cooperatives duly registered or re-registered with the Bureau of Cooperatives Development, DLGCD and with a total capital participation in the proposed rural bank of not less than 20% of the bank's voting shares.

- c. If the applicant groups possess the same qualifications as prescribed in item (b) above, preference shall be given to the group with the greater number of cooperatives as incorporators/subscribers.
- d. If the applicant groups equally possess the qualifications prescribed in items (b) and (c) above, the group which has a greater total capital participation of cooperative-organizers shall be preferred.
- e. If the applicant group to be given preference cannot be determined on the basis of item (d) above, preference shall be based on such point system as may be prescribed by the Central Bank in the determination of preferences in the case of natural persons applying for the organization of a rural bank.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 404
May 15, 1974

SUBJECT: Amendment to Section 13 of Circular 157

Pursuant to Monetary Board Resolution No. 831, dated April 26, 1974, Section 13 of Central Bank Circular No. 157, as amended (Rules and Regulations for Savings and Loan Associations) is hereby further amended to read as follows:

“SEC. 13. Bond of Officers and Employees

All officers and employees of an Association who have access to money, or negotiable securities of the Association, or who issue stock or shares of the Association, in the regular discharge of their duties shall, before entering upon their duties, furnish to the employing Association a good and sufficient bond indemnifying the Association against loss of money or securities by reason of their dishonesty and against loss arising from their dishonest issue of stock or shares.

The bond of the Cashier, Assistant Cashier, Treasurer, Tellers and all other employees of the Association, including agents, salesmen and solicitors, having money accountability, shall be equivalent to, or not less than, their average cash daily accountability. The Corporate Secretary of a stock Association shall furnish a bond in an amount not less than P1,000.00. The bonds must be issued by a reputable bonding company approved by the Central Bank.

The average cash daily accountability of an officer or employee of an Association shall be computed by adding the amount of actual cash which he handles each day for a year, the total of which shall be divided by the number of days of the year said officer or employee receives or handles such cash. Checks or other cash items shall not be included in

the computation of the average daily cash accountability, provided that proper and adequate safeguards, as approved by the Department of Rural Banks and Savings and Loan Associations, are adopted by the Association."

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 405
May 15, 1974

The Monetary Board, in its Resolution No. 957 dated May 10, 1974 authorized the use of export bills with maturities of not more than thirty (30) days, as eligible for reserves against marginal deposits on import letters of credit, but not to exceed fifteen (15) days in any case.

Applications for availment of the privilege shall be made to the Department of Commercial and Savings Banks.

This Circular shall take effect May 10, 1974. All other circulars, memoranda or regulations inconsistent herewith are hereby modified and/or revoked accordingly.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR No. 406
May 15, 1974

Pursuant to Monetary Board Resolution No. 957 dated May 10, 1974, the temporary use of CBCI's (except Special Series) and other government securities, with remaining maturities of less than two (2) years, not otherwise eligible, shall be allowed as reserves against deposit liabilities, but not exceeding fifteen (15) days in any case.

Applications for availment for the privilege shall be made to the Director, DCSB and/or DRBSLA.

This Circular shall take effect May 10, 1974. All other circulars, memoranda or regulations inconsistent herewith are hereby modified and/or revoked accordingly.

(SGD.) G. S. LICAROS
Governor

CIRCULAR NO. 407

May 31, 1974

Pursuant to Monetary Board Resolution No. 1063 dated May 24, 1974, to better protect the interest of bank depositors and to further encourage the public to deposit in banks, all banking institutions (commercial banks, savings banks, development banks, rural banks and stock savings and loan associations) are required to set a minimum of three (3) specimen signatures to be simultaneously required from each of their depositors and to update the specimen signatures of their depositors every two (2) years or sooner, at the discretion of the bank. Banks may, at their option, require their depositors to submit ID photos together with the specimen signatures.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 408

May 31, 1974

RULES AND REGULATIONS GOVERNING THE GRANT OF AGRICULTURAL CREDIT BY BANKING INSTITUTIONS UNDER REPUBLIC ACT NO. 6389

In its Resolution No. 1142 dated May 31, 1974, the Monetary Board adopted the following regulations, pursuant to Presidential Decree No. 57, dated November 19, 1972, and Section 34 of Republic Act No. 6389, otherwise known as Agricultural Land Reform Code, which reads:

“SEC. 34. To carry out the objectives of this Amendatory Act, and notwithstanding any provision of existing laws, rules and regulations to the contrary, all lending institutions, whether public or private, shall set aside at least twenty-five per cent of their loanable funds and make it available for agricultural credit to agricultural lessees, owners-cultivator, amortizing owners, and cooperatives, including multipurpose cooperatives and farm associations and organizations owned and operated by those who live and work on the land as tillers and registered with the Agricultural Credit Administration.

A. DEFINITION OF TERMS

To implement the provisions of this Circular, the following definitions shall apply:

1. **Loanable funds** - shall mean total bank's funds consisting of deposits, including deposits of banks net of due from other banks but excluding foreign currency deposits; bills payable, including borrowings from banks and total capital accounts, less the following: building or office premises,

furniture and equipment (net book value); other property owned or acquired (representing properties acquired in satisfaction of debts); other assets (assets lodged under "Other Assets" account in the Consolidated Statement of Condition); required reserves (reserves against deposit liabilities, reserves against foreign currency deposits, coverage against letters of credit in the case of commercial banks, etc.) and provisions for liquidity (15% of the total deposits and demand liabilities).

2. **Demand liabilities** - shall include all liabilities that are due and demandable within thirty days from the date of the report hereinafter required under Section D.

3. **Agricultural credit** - shall mean all loans and advances granted to agricultural lessees, owners-cultivator, amortizing-owners, and cooperatives, including multi-purpose cooperatives and farm associations and organizations owned and operated by those who live and work on the land as tillers and registered with the Bureau of Cooperatives Development,* for the purchase of work animals, farm implements and machinery, fertilizers, good varieties of seeds, fingerlings, cane points, coconut seedlings, grafted citrus, etc.; for the construction and repair of farmers' quarters, warehouses, and other farm buildings; for the construction and repair of irrigation systems; for the construction and repair of dikes of fishponds; for the excavation of fishponds; for the raising/breeding of cattle, hogs, carabaos and poultry; for marketing and distribution of agricultural products; and for such other purpose related to the processing of indigenous agricultural products, and development or expansion of agricultural production.

4. **Supervised credit** - loan/s wherein the farmer-borrower agrees in writing that he will apply proven farm practices necessary to the conservation of the land, improvement of its fertility and increase of its production, and abide by the approved farm plan and budget jointly prepared by him and the supervised credit technician. Any modification of such farm plan and budget shall be with the consent of the farmer-borrower and the supervised credit technician.

B. APPLICABILITY

This Circular applies only to banking institutions (government or private) as defined under Section 2 of Republic Act No. 337, as amended by Presidential Decree No. 71 dated November 29, 1972.

C. REQUIREMENTS/IMPLEMENTATION

1. The aggregate amount to be set for agricultural credit shall be at least 25% of the bank's loanable funds as herein defined.

2. If there is no agricultural borrower, the amount set aside for agricultural credit may be invested temporarily, subject to existing laws, rules and regulations; provided that a bank may be given the choice of:

*As required under Presidential Decree No. 175, dated April 14, 1973.

(a) depositing the required amount with PNB and/or DBP which in turn lend the funds to agricultural borrowers since these two institutions have the organizational setup and skill to handle this type of loans properly; and/or

(b) purchasing "loan participation certificates", with or without recourse, from other banks who may have invested more than 25% of their loanable funds in agricultural credits; and/or

(c) purchasing government securities the proceeds of which will be specifically earmarked for agricultural credit under R.A. 6389.

3. Interest and other charges on loans granted for agricultural credit shall not exceed 12% per annum.

4. The amount of the loan to be granted shall depend on the credit requirements of the borrower and his capacity to pay as determined in the credit investigation conducted prior to the grant of loan; Provided, That in no case shall rural banks grant loans exceeding five thousand pesos (P5,000) per farmer-borrower.

5. Loans granted under this Circular shall be secured by any or a combination of: (a) real estate property, if available, (b) chattel mortgage on standing crops and/or existing livestock or poultry, (c) stored crops in bonded warehouse, (d) other assets, such as farm machinery, acquired with the proceeds of the loan, (e) two co-makers acceptable to the bank; provided, that in case a borrower is a member of a cooperative, the cooperative may act as a co-maker, and provided, further, that in case the borrower is a multi-purpose cooperative, no co-maker shall be required.

D. SUBMISSION OF REPORTS

All banks shall submit to the appropriate supervising and examining department of the Central Bank a monthly report within fifteen (15) days after end of each month on the utilization of its loanable funds set aside for agricultural credit. Attached is a sample form of the required report.

E. PENAL PROVISIONS

A fine shall be imposed on banking institutions for not complying with these regulations in accordance with Section 34-A of Republic Act No. 265, as amended, without prejudice, however, to the provisions of Section 34 of the same Act, the pertinent portion of which is quoted hereunder:

"SEC. 34. Proceedings upon violation of laws and regulations. - Whenever any person or entity wilfully violates this Act or any order, instruction, rule or regulation issued by the Monetary Board, the person or persons responsible for such violation shall be punished by a fine of not more than twenty thousand pesos and by imprisonment of not more than five years."

F. TRANSITORY PROVISIONS

Banks shall be given six months from the effectivity of this Circular within which to comply with the requirement to set aside at least 25% of their loanable funds for agricultural credit.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 409
May 31, 1974

Pursuant to Monetary Board Resolution No. 1061 dated May 24, 1974, Par. 6a of Circular No. 315 dated December 1, 1970 is hereby amended to read as follows:

- "a. Interest rate - not more than 1-½% over prime rate of the lending country, or over LIBO, except in the case of government foreign borrowings under R. A. No. 6142 which requires lower rates."

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 410
June 21, 1974

CLEAN CURRENCY POLICY

1. In order that the Central Bank could maintain a clean currency policy and to effect an expeditious withdrawal and retirement of currency unfit for circulation, all banks are hereby required to sort their cash deposits into (1) clean notes and (2) mutilated notes. A separate deposit slip shall be accomplished for each category.
2. In the case of deposits of coins by banks, the same should be physically segregated/sorted according to denominations and by Pilipino or English series.
3. The Cash Department of the Central Bank including CB Regional Offices may refuse acceptance of cash deposits not accomplished in accordance with this Circular.
4. The public in general and bank personnel in particular are hereby reminded that the willful defacement of currency, including markings and

writings thereon, is punishable under Presidential Decree No. 247.

This Circular amends Circular No. 308, series of 1970, and shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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CIRCULAR NO. 411

June 21, 1974

Pursuant to Monetary Board Resolution No. 1328 dated June 21, 1974, Circular No. 409, dated May 31, 1974, amending paragraph 6a of Circular No. 315 dated December 1, 1970, is hereby superseded, and said paragraph 6a should read as follows:

- “a. Interest rate - As a rule, not more than 1-1/2% over prime rate of the lending country, or over LIBO, except in the case of government foreign borrowings under R. A. No. 6142 which requires lower rates.”

This Circular shall take effect immediately.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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CIRCULAR NO. 412

July 2, 1974

**RESERVE DEFICIENCIES OF NON-BANK FINANCIAL
INTERMEDIARIES ENGAGED IN QUASI-BANKING FUNCTIONS**

Pursuant to Section 100 of Republic Act No. 265, as amended, and Section 2-A(a) of Republic Act No. 337, as amended, the Monetary Board, in its Resolution No. 1244 dated June 14, 1974, promulgated the following rules and regulations for purposes of implementing Section 8 of Central Bank Circular No. 389 dated November 19, 1973 which provides as follows:

“SEC. 8. Reserve Deficiencies. Whenever the reserve position of any non-bank financial intermediary specified in Section 5 of this Circular, is below the required minimum, the non-bank financial intermediary concerned shall pay the Central Bank of the Philippines one-tenth of one per cent (1/10 of 1%) per day on the amount of the deficiency: Provided, However, that non-bank financial intermediaries shall be permitted to offset any reserve deficiency occurring on one or more days of the reporting period and shall be required to pay the penalty

only on the average daily net deficiency during the period. In case of abuse, the Monetary Board may deny any non-bank financial intermediary the privilege of offsetting reserve deficiency in the aforesaid manner."

1. As used in these rules, the following terms shall have the following meanings:

"Abuse" shall mean having reserve deficiencies for more number of days than those with excess reserves, in a reporting period, for two (2) consecutive reporting periods, whether or not there is a net deficiency in each period.

"Chronic reserve deficiency" shall mean having a net reserve deficiency for four (4) consecutive reporting periods.

"New loan" and "new investment" shall refer to any loan and any investment involving disbursement of funds, except government securities.

2. In case of abuse, the non-bank financial intermediary performing quasi-banking functions shall lose the privilege of offsetting reserve deficiencies as provided in Section 8 of Circular No. 389 above cited for the succeeding two (2) consecutive reporting periods and until that institution maintains its daily reserve position at the required minimum.

3. In case of chronic reserve deficiency, the non-bank financial intermediary concerned, in addition to losing the privilege of offsetting reserve deficiencies under Section 8 of the aforesaid circular for the succeeding two (2) consecutive reporting periods, shall not make any new loan nor any new investment for the two (2) months following the period of chronic reserve deficiency and until the non-bank financial intermediary concerned maintains its daily reserve position at the required minimum. The non-bank financial intermediary concerned shall submit, together with the report on required available reserves (CBP-7-26-05), a certification under oath that it has not granted any new loan nor made any new investment during the reporting period.

This Circular takes effect immediately.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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CIRCULAR NO. 413
July 22, 1974

Pursuant to Monetary Board Resolution No. 1485, dated July 19, 1974, Circular No. 388 dated November 19, 1973, particularly Section 2 thereof, on the rules and regulations governing deposits substitutes of banking institutions, is hereby amended so as to read as follows:

SECTION 2. Computation of Reserve Position; Reserve Deficiencies

Each bank shall calculate its reserve position daily on the basis of its reserves and its deposit substitutes as of the close of business for the day. For the purpose of computing its reserve position, the principal office in the Philippines and all branches and agencies located therein shall be treated as a single unit.

Whenever the reserve position of any banking institution, computed in the manner specified in this circular, is below the required minimum, the banking institution concerned shall pay the Central Bank of the Philippines one-tenth of one per cent (1/10 of 1%) per day on the amount of the deficiency: **Provided, however,** that banking institutions shall be permitted to offset any reserve deficiency occurring on one or more days of the reporting period and shall be required to pay the penalty only on the average daily net deficiency during the period. In case of abuse, the Monetary Board may deny any banking institution the privilege of offsetting reserve deficiency in the aforesaid manner.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 414
July 29, 1974

Pursuant to Monetary Board Resolution No. 1622 dated July 29, 1974, the following regulations shall govern the payment of interest on deposits in all banking institutions:

1. **Demand Deposits** - No interest shall be paid on these deposits.
2. **Savings Deposits** -
 - a. **Commercial banks** (including the Development Bank of the Philippines and the Land Bank of the Philippines) - The maximum rate of interest on savings deposits in commercial banks (including the Development Bank of the Philippines and the Land Bank of the Philippines) shall be six per cent (6%) per annum, compounded quarterly.
 - b. **Thrift institutions** (as defined in Sec. 6-A of R.A. No. 337, as amended) and rural banks - The maximum rate of interest on savings deposits in these banks shall be six and one-half per cent (6½%) per annum, compounded quarterly.
 - c. **Computation of Interest** - Interest on savings deposits may be compounded other than quarterly provided the aggregate amount resulting from such compounding does not exceed

the aggregate amount of interest rates prescribed above when compounded quarterly.

3. Time Deposits -

- a. **Term of Time Deposits** - No time deposits shall be accepted for a term of less than ninety (90) days.
- b. **Minimum Size of Deposit** - Banks should not impose a minimum time deposit level greater than P100.00.
- c. **Time of Payment** - Interest on time deposits shall be paid only at maturity or upon withdrawal; provided, however, that a time deposit having a maturity period of more than 360 days or twelve (12) months from date of deposit, may be paid interest thereon at the end of every 12 months and at maturity.
- d. **Schedule of Interest Rates:**

- 1) **Commercial banks** (including the Development Bank of the Philippines and the Land Bank of the Philippines) - The maximum rates of interest on time deposits shall be according to the following schedule:

90 days	8%
180 days	8½%
360 days	9½%
2 years	11%
Over 2 years	No administrative ceiling

- 2) **Thrift Banks and Rural Banks** - The following schedule of maximum interest rates on time deposits is prescribed for thrift and rural banks:

90 days	8½%
180 days	9%
360 days	10%
2 years	11½%
Over 2-years	No administrative ceiling

- e. **Treatment of Matured Time Deposits** - A time deposit not withdrawn or renewed on its due date shall be treated as a savings deposit and shall earn interest as such from date of maturity to date of actual withdrawal or renewal.
- f. **Withdrawal Before Maturity Date** - A time deposit with a term of 12 months or less that is withdrawn before the maturity date fixed in the certificate of time deposit shall be considered a savings deposit and shall earn interest as such.

A time deposit with a term of more than 12 months that is withdrawn after 12 months but before maturity date, may be paid interest that is allowed time deposits at the end of every 12 months. It shall be deemed a savings deposit and earn interest as such for the remaining period.

4. This Circular shall take effect immediately and any provisions of existing regulations inconsistent with the foregoing are hereby revoked, amended or modified accordingly.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 415
July 29, 1974

Pursuant to Section 109 of R.A. 265, as amended and Monetary Board Resolution No. 1622 dated July 29, 1974, ceilings are hereby established on all charges other than pure interest (excluding commitment, guarantee and other similar fees) which banks may collect on loan transactions.

Commercial banks and other specialized banking institutions such as the Development Bank of the Philippines and the Land Bank shall be allowed a maximum of 2 per cent, payable only once, of the loan principal. Thrift banks and rural banks shall be allowed up to 3 per cent, payable only once, of the loan principal.

Banks, however, may collect a minimum charge of P20.00 for loan applications below P2,000.00; provided that, in the case of big loans, charges thereon shall be subject to the further limitation that they shall approximate out-of-pocket cost. It is understood that all charges accruing to the government shall be for the account of the borrower.

All banks are required to strictly adhere to the provisions of R.A. 3765 otherwise known as the "Truth in Lending Act" and shall make the true and effective cost of borrowing an integral part of every loan contract.

All other circulars, memoranda or regulations inconsistent herewith are hereby revoked, amended or modified accordingly.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

CIRCULAR NO. 416

July 29, 1974

By virtue of the authority granted to it under Section 1 of Act No. 2655, as amended, otherwise known as the "Usury Law", the Monetary Board, in its Resolution No. 1622 dated July 29, 1974, has prescribed that the rate of interest for the loan or forbearance of any money, goods or credits and the rate allowed in judgments, in the absence of express contract as to such rate of interest, shall be twelve per cent (12%) per annum.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 417

July 29, 1974

Pursuant to Section 2 of Act 2655, as amended, otherwise known as the "Usury Law", the Monetary Board in its Resolution No. 1622 dated July 29, 1974, has prescribed that a loan or renewal thereof or forbearance of money, goods or credits secured in whole or in part by government securities shall not earn a higher rate of interest or greater sum or value, including commissions, premiums, fines and penalties, than twelve per centum (12%) per annum.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 418

July 29, 1974

Pursuant to Monetary Board Resolution No. 1622 dated July 29, 1974, the required reserve against deposit liabilities of stock savings and loan associations shall be ten per cent (10%) of the total amount of such deposit liabilities of the bank, to be raised at the rate of 1/2 of one per cent every 30 days until the ten per cent requirement shall have been reached.

This Circular shall take effect beginning August 30, 1974 and all rules and regulations inconsistent herewith are hereby revoked, amended or modified accordingly.

(SGD.) G. S. LICAROS
Governor

CIRCULAR NO. 419

August 5, 1974

**SUBJECT: Further Amendment to Central Bank Circular
No. 150 dated March 27, 1973, as amended.**

The second paragraph of Central Bank Circular No. 150 dated March 27, 1973, as amended, is hereby further amended to read as follows:

“Any banking institution may adopt, subject to prior approval of the Monetary Board, any plan, program, benefit or incentive, including raffles and lotteries, designed to attract savings and time deposits; provided, however, that they shall meet the following requirements:

- a) It must not be offered more than once every quarter;
- b) It must not be tied up with the size of the deposit;
- c) It must not provide depositors with financial compensation for the use of their deposits;
- d) New and old depositors are qualified, but shall be entitled to only one prize in contests of any kind, including raffles and lotteries;
- e) Accounts of personnel of sponsoring banks and those of their relatives within the 1st degree of affinity or consanguinity are disqualified;
- f) Total value of prizes, including donated prizes, for promotions in the form of raffles or lotteries for each bank, branch or agency shall not be more than P10,000 for banks located in the Greater Manila Area and all other cities, and P5,000 for those in other areas;
- g) The results of contests, raffles or lotteries shall be appropriately announced; the list of winners with the corresponding prizes shall be posted in a conspicuous place within the bank premises; and the winners shall be notified; and
- h) The results of such contests shall be attested to by two authorized bank officers and reported to the Central Bank of the Philippines.”

To provide sufficient time for the processing of applications, banks are required to file these with the appropriate supervising department, at least thirty (30) days before the scheduled date of the contest, raffle or lottery, in cases of banks situated within the Greater Manila Area; and, at least forty (40) days, for banks situated outside this Area.

For purposes of this Circular, Greater Manila includes Manila, Quezon City, Pasay City and Caloocan City and the municipalities of Makati, Mala-

bon, Mandaluyong, Marikina, Navotas, Parañaque, Pasig and San Juan.

Existing promotional campaigns are to terminate on cut-off dates previously approved by the Central Bank. All extensions will again require prior approval of the Central Bank.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 420

August 5, 1974

The Monetary Board, in its Resolution No. 828 dated April 26, 1974, as amended by Resolution No. 1609 dated July 26, 1974, approved the following guidelines/criteria on the establishment of money shops by banks (stock savings and loan associations, commercial, savings or development banks):

- "1. At least 70% of the voting stock of the bank shall be owned by Filipinos except where 60% has been allowed pursuant to law in the case of commercial and savings banks;
2. At least 2/3 of the members of its board of directors shall be Filipinos except in the case of private development banks where members of the board of directors should all be Filipinos;
3. The bank must have completed one year of profitable operations from the date it opened for business;
4. In case the combined capital accounts of the applicant bank are found to be deficient for five or more times within a 30-day period during the last 6 months immediately preceding the date the application was received, the privilege to establish money shops shall be suspended for the next 60 days; provided that the bank may resubmit its application after said period; if the deficiency is continuous for a period of 30 days or more during the last 12 months immediately preceding the date the application was received, the privilege to established money shops shall be suspended for the next 12 months provided that the bank may re-submit its application after said period;
5. Applications of banks for authority to establish money shops shall not be processed until the bank concerned, having incurred net deficiencies in reserves against deposit liabilities, shall have had no net reserve deficiencies for eight consecutive weeks; provided that, in case the bank incurred net deficiencies in reserves for eight consecutive weeks during the last 12 months immediately preceding the date the application was received, the privilege to estab-

lish money shops shall be suspended for the next 12 months, in which case, the bank may re-submit its application after said period;

6. Money shops shall be allowed to be established only upon prior approval by the Central Bank and inside the markets;
7. The market where the money shop is proposed to be established should be located in the trading area covered by the applicant bank's branch network;
8. The number of money shops which may be allowed to be established in any one market shall be determined on the basis of the number of stall-owners in the market, i.e., one (1) money shop for every 400 stallowners or fraction thereof; provided that only one (1) money shop shall be allowed for each bank in any one market;
9. In cases where there are two or more applications of banks for authority to establish money shops in the same market, the following priorities shall govern:
 - a. First priority - Banks which have already achieved the required minimum paid-in capital;
 - b. Second priority - Banks which have an approved program or plan to increase their paid-in capital with up-dated build-up of paid-in capital in accordance with the bank's approved program;
 - c. Third priority - Banks which have an approved program or plan to increase their paid-in capital, installments on capital build-up of which are not yet due; and
 - d. Fourth priority - Banks which have an approved program or plan to increase their paid-in capital, installments on which are not up-to-date.

In any of the priority level, the "first come, first served basis" shall apply; however, as stated earlier, the applications shall likewise not be processed under the usual criteria for branching.

10. Foreign banks shall not be allowed to establish money shops; and
11. Money shops authorized to be established shall observe banking hours from 4:30 A.M. to 7:30 P.M. for seven (7) days a week, the opening hours to vary between 4:30 and 6:00 A.M. and the closing hours between 6:00 and 7:30 P.M., depending upon the conditions obtaining in each individual market, in order to offer working capital or inventory financing to market stallowners and to provide deposit/withdrawal services, subject to the following conditions:
 - a. The money shop shall (1) be a sub-office of the nearest exist-

ing branch/extension office, and (2) observe security measures in maintaining a banking office;

- b. All transactions of the money shop shall be taken up and recorded daily by the "mother" branch/extension office; and
- c. Loans to a single stallholder shall not exceed P10,000.00 and shall be charged interest not higher than 14% per annum plus handling charges not exceeding 2% a month."

With respect to the implementation of 11.c. above, savings banks and private development banks shall observe the limitations under Section 31 (a) of Republic Act No. 337 as amended; stock savings and loan associations shall observe the limitations under Section 5(a) of Republic Act No. 3779 as amended.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 421
August 5, 1974

Pursuant to its Resolution No. 1565 dated July 26, 1974, the Monetary Board amended Section 119 of the Revised Rules and Regulations Governing Rural Banks to read as follows:

"SEC. 119. Application for Loan; Deposit for Inspection, Disposition of. Persons qualified to borrow from a rural bank must submit a duly accomplished application form (CB:RB Credit Form Np. 1, Rev.) stating the amount applied for, term desired, securities offered, and specific purpose for which the loan shall be used, with itemized, detailed estimates of disbursements or expenses intended to be covered by the loan applied for.

Upon receipt of the loan application, proper credit investigation shall be conducted which shall include the verification of the existence of the project intended to be financed by the loan and of the property offered as security, and the determination of the actual credit needs and repayment capacity of the borrower.

To cover expenses incurred in the credit investigation, rural banks may charge the borrowers not more than one (1%) per cent of the loan amount, but not to exceed FIFTY (P50.00) PESOS each borrower as inspection fee and other fees incidental to the processing and approval of the loan. Inspection, and other fees shall be credited to income directly (other Earnings), while expenses incurred, duly supported by statements, receipts, invoices, and other supporting papers shall be

charged to travelling expenses. Such expenses may be allowed provided they are actually incurred and are reasonable and necessary."

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 422

August 8, 1974

**Subject: Amendments to Circular No. 382, dated October 15, 1973
Prescribing the Rules and Regulations Governing the
Posting of the Statements of Condition of Rural Banks**

Pursuant to Monetary Board Resolution No. 1264, dated June 14, 1974, the following sections of Circular No. 382, dated October 15, 1973, are hereby amended to read as follows:

"Section 1. Date and Form

The Statement of Condition herein required shall be prepared as of the end of every quarter in a condensed form (proforma attached) and printed in a 12" x 18" white paper, preferably white buff paper (cartolina).

Section 3. Time of Posting

The posting shall be made within twenty (20) days from the end of every quarter and for a period of thirty (30) successive days.

Section 4. Proof of Posting

As proof of such posting, two (2) affidavits separately executed by (a) the rural bank president or in his absence, the vice-president or manager, and (b) the city/municipal treasurer, shall be submitted to the Department of Rural Banks and Savings and Loan Associations, Central Bank of the Philippines, not later than sixty (60) days after the end of the quarter."

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 423

August 12, 1974

Subject: Amendment of Paragraph B of Circular No. 390, dated November 19, 1973, Prescribing the Rate and Manner of Assessment of Rural Banks, and the Manner of Collecting the As-

Assessment Fees to Defray the Cost of Maintaining the Department of Rural Banks and Savings and Loan Associations

Pursuant to Monetary Board Resolution No. 1358, dated June 28, 1974, Paragraph B of Circular No. 390, dated November 19, 1973, prescribing the rate and manner of assessment of rural banks, and the manner of collecting the assessment fees to defray the cost of maintaining the Department of Rural Banks and Savings and Loan Associations, is hereby amended to read as follows:

"B. Manner of Collection

1. Where the rural bank maintains a deposit account with the Central Bank, its deposit account shall be debited by the Central Bank Accounting Department upon receipt of the notice of assessment from the Department of Rural Banks and Savings and Loan Associations. The rural bank shall be advised accordingly.
2. Where the rural bank does not maintain a deposit account with the Central Bank or where its deposit account is insufficient to cover the assessment fee, the Accounting Department shall bill said rural bank for the full amount of the fee or for the balance thereof only not covered by its deposit account, as the case may be.

Within thirty (30) days from receipt of the bill, the rural bank shall make the corresponding remittance to the Central Bank Accounting Department. Failure to pay the bill within the prescribed period shall subject the rural bank to administrative sanction.

The aforementioned manner of collection shall take effect immediately. However, rural banks which have already been billed on their 1973 net assessable assets shall be allowed a period of thirty (30) days from receipt of their respective bills within which to make their remittance to the Central Bank. Should any rural bank fail to make the remittance within the prescribed period, the Accounting Department shall proceed with the collection in the manner outlined above."

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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CIRCULAR NO. 424
August 12, 1974

Subject: Manner of Collecting the Annual Assessment Fees from Stock Savings and Loan Associations to Defray the Cost of Maintain-

ing the Department of Rural Banks and Savings and Loan
Associations

Pursuant to Monetary Board Resolution No. 1358, dated June 28, 1974, the annual assessment fee of stock savings and loan associations to defray the cost of maintaining the Department of Rural Banks and Savings and Loan Associations as contemplated in Section 28, Paragraph (c) of Republic Act No. 3779 (Savings and Loan Association Act), as amended by Presidential Decree No. 113, dated January 29, 1973, shall be collected as follows:

1. Where the stock savings and loan association maintains a deposit account with the Central Bank, its deposit account shall be debited by the Central Bank Accounting Department upon receipt of the notice of the assessment from the Department of Rural Banks and Savings and Loan Associations. The association shall be advised accordingly.
2. Where the association does not maintain a deposit account with the Central Bank or where its deposit account is insufficient to cover the assessment fee, the Accounting Department shall bill said association for the full amount of the fee or for the balance thereof only not covered by its deposit account, as the case may be.

Within the thirty (30) days from receipt of the bill, the association shall make the corresponding remittance to the Central Bank Accounting Department. Failure to pay the bill within the prescribed period shall subject the association to administrative sanction.

The aforementioned manner of collection shall take effect immediately. However, associations which have already been billed on their 1973 net assessable assets shall be allowed a period of thirty days from receipt of their respective bills within which to make their remittance to the Central Bank. Should an association fail to pay the bill within the prescribed period, the Accounting Department shall proceed with the collection in the manner outlined above.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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CIRCULAR NO. 425
August 21, 1974

In further implementation of Executive Order No. 206 of the President of the Philippines dated January 9, 1970 as amended by Executive Order No. 339 dated September 9, 1971, directing the Central Bank of the Philip-

panies to receive payment of national internal revenue taxes through its authorized agent banks, the following rules and regulations are hereby promulgated insofar as collection of internal revenue taxes in Cagayan de Oro City and Iloilo City is concerned:

SECTION 1. The following national internal revenue taxes shall be collected under these arrangements:

- a. Income taxes, including withholding taxes on wages;
- b. Estate, inheritance and gift taxes;
- c. Percentage taxes prescribed in Title V of the National Internal Revenue Code, except percentage taxes arising from imports;
- d. Taxes on banks, taxes on insurance companies, franchise taxes and taxes on amusements;
- e. Specific Taxes;
- f. Mining Taxes;
- g. Charges on Forest Products; and
- h. Sugar Adjustment Tax.

SECTION 2. Branch Offices of Authorized Agent Banks situated in the localities covered by these arrangements shall accept payments from the taxpayers the full amount of internal revenue taxes upon presentation of the Tax Payment Acceptance Orders issued by the Commissioner of Internal Revenue or his authorized deputy, in the form of cash, cashier's, treasurer's, manager's or certified checks and checks drawn by the taxpayer himself, and shall issue corresponding official receipts on forms prescribed for the purpose. Such forms shall be supplied to the Branch Offices of the Authorized Agent Banks by the Central Bank of the Philippines through its Regional Offices and shall be treated as accountable forms by said branches of the Authorized Agent Banks.

SECTION 3. All tax collections made by said Branch Offices are to be booked and credited to a special account "Due to Central Bank - Internal Revenue Account." Any check payment subsequently returned and dishonored by a drawee bank shall be debited automatically to the Special Account and the returned/dishonored check shall be delivered to the Revenue Collection Regional Unit (Central Bank) under separate report and a copy furnished the Regional Office of the Bureau of Internal Revenue in the area.

SECTION 4. The Branch Offices of the Authorized Agent Banks covered by these arrangements shall submit to the Revenue Collection Regional Units in their particular area, a daily summary of collections of internal revenue taxes collected by them not later than 5:00 p.m. of the business day following the date of collection. This summary shall be signed by a responsible official of the said branch office and shall be accompanied by the blue copies of the official receipt and covering tax payment acceptance order. All copies of official receipts cancelled shall be surren-

dered and included in the Abstract of Collections. The Branch Offices of the Authorized Agent Banks in the area covered shall deliver to the Regional Office of the Bureau of Internal Revenue in the locality the pink copies of the official receipts covering payments of internal revenue taxes issued by them together with a copy of the daily summary of collections not later than 5:00 p.m. of the following business day.

SECTION 5. The Branch Offices of the Authorized Agent Banks situated in the area covered shall remit by Cashier's check to the Revenue Collection Regional Units the amounts of internal revenue taxes collected by them within seven (7) days from their receipt of such amounts as shown in the daily summary of collections. Any collections not so remitted shall be debited against the demand deposit account of the Head Office with the Central Bank of the Philippines. However, payments received after 2:30 p.m. on the last day of payment of a tax, shall be validated and credited by the Bank as of the following business day. Said payment shall be properly identified in the official receipt.

SECTION 6. For this purpose and in order to facilitate the filing of tax returns and payment of the corresponding taxes due thereon during the rush periods, an authorized deputy of the Commissioner of Internal Revenue shall be stationed in the Branch Offices of the Authorized Agent Banks situated in the localities covered by these arrangements during the periods April 1 to 15 and July 1 to 15 of each year.

SECTION 7. The provisions of Circular No. 336, Series of 1971, insofar as the cities of Cagayan de Oro and Iloilo are concerned are hereby repealed.

SECTION 8. This Circular shall take effect on October 1, 1974.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 426
August 21, 1974

In further implementation of Executive Order No. 2 of the President of the Philippines dated January 5, 1966, directing the Central Bank of the Philippines to collect through the banking system the estimated customs duties, taxes and other levies due on all imported articles and merchandise, the following rules and regulations are hereby promulgated insofar as collection of customs duties, taxes and other levies in the Ports of Cagayan de Oro and Iloilo is concerned:

SECTION 1. Branch Offices of Authorized Agent Banks situated in Cagayan de Oro City and Iloilo City shall accept payments for customs duties,

taxes and other levies upon presentation of the Orders of Payment issued by the Bureau of Customs and shall issue the corresponding Official Receipts on forms prescribed for the purpose. Such forms shall be supplied to the Branch Offices of the Authorized Agent Banks by the Central Bank of the Philippines through its Regional Units and shall be treated as accountable forms by the said Offices of the Authorized Agent Banks.

SECTION 2. All such collections made by said Branch Offices are to be booked and credited to a special account "Due to Central Bank - Customs Duties Account".

SECTION 3. The Branch Offices of the Authorized Agent Banks covered by these arrangements shall submit to the Revenue Collection Regional Unit in their particular area, a daily summary of collections of customs duties, taxes and other levies not later than 5:00 p.m. on the same day such collections are made. This summary shall be signed by a responsible official of the particular office and shall be accompanied by the pink copies of the official receipt, order of payment and the corresponding release certificate. All copies of Official Receipts cancelled shall be surrendered and included in the Abstract of Collections. The Branch Offices of the Authorized Agent Banks in the area shall deliver to the Collector of Customs in the particular port of entry the yellow and white copies of the Official Receipts covering payments of customs duties, taxes and other levies together with a copy of the daily summary of collections not later than 5:00 p.m. on the same day the collections are made.

SECTION 4. The Branch Offices of the Authorized Agent Banks situated in the area covered shall remit by Cashier's checks to the Revenue Collection Regional Unit the amount of customs duties, taxes and other levies collected by them not later than the Monday following the week during which collections were made. . Any collections not so remitted shall be debited against the demand deposit account of the Head Office the following day (Tuesday) after the remittance is due.

SECTION 5. The issuance of CB Release Certificates by Authorized Agent Banks covering imports shall be guided by MAAB No. 19 dated February 20, 1974.

SECTION 6. Branch Offices of the Authorized Agent Banks in the Ports of Cagayan de Oro and Iloilo shall furnish the Revenue Collection Regional Units of the Central Bank and the Collector of Customs with the names and specimen signatures of the Officers authorized to sign the Central Bank release certificates and official receipts, and of their authorized representatives who shall be provided with proper identification cards.

SECTION 7. This Circular shall take effect on October 1, 1974.

(SGD.) G. S LICAROS
Governor

CIRCULAR NO. 427

August 22, 1974

MINIMUM TRADING LOT RULE

Pursuant to the provisions of R.A. No. 265, as amended, R.A. No. 337, as amended, and Monetary Board Resolution No. 1628 dated 2 August 1974, the following rules, as a clarification of the minimum trading lot rule of Section 7 of CB Circular No. 387, Series of 1973, are hereby promulgated:

1. The minimum size for every single transaction of fund borrowing through any of the methods enumerated in Section 1 of Circular No. 387, for maturities of one year or less, shall be Fifty Thousand Pesos (P50,000.00). No banking institution or corporation engaging in quasi-banking functions shall execute any contract, or enter into any agreement, or offer any plan which would allow the pooling or commingling of funds owned by two or more accountees in order to qualify the collective fund for placement in a transaction described above; and
2. No banking institution or corporation engaging in quasi-banking function shall issue any instrument with maturities of more than one year under any of the methods of fund borrowing enumerated in Section 1 of Circular No. 387 under such terms or conditions which would give the holder of such instrument the right or option to assign/endorse/collect, chargeable to the issuing bank or corporation, before the maturity of such instrument.
3. All plans/schedules of commingling funds as a means of collective investment shall be submitted to the Central Bank for evaluation and prior approval.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:
(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 428

August 26, 1974

In accordance with Monetary Board Resolution No. 1762 dated August 16, 1974, and in pursuance of Presidential Decree No. 529 dated August 6, 1974, the following regulations shall govern importations by service contractors and petroleum exploration concessionaires, effective immediately:

1. All applications for importation of machinery/equipment, spare

parts and materials may be given due course by authorized agent banks without prior Central Bank approval, provided such applications are accompanied by pertinent approval and certification by the Petroleum Board attesting, among others, that:

- a. The importations involved are tax-free; and
 - b. Such importations shall not entail any payment in foreign exchange out of the country's international reserve.
2. Likewise, applications for issuance of release certificates covering the above-described importations need not be forwarded to the Central Bank for prior clearance, provided copies of pertinent shipping documents shall be submitted to the Central Bank, thru the Management of External Debt and Investment Accounts Department (MEDIAD), by the agent banks concerned within five (5) working days from date of issuance of covering release certificates.
 3. No foreign exchange shall therefore be sold to service said importations, except where the foreign exchange required shall come from foreign currency deposits of non-residents under Central Bank Circular No. 343.

All provisions of existing Circulars, rules and regulations inconsistent with the foregoing are hereby modified or amended accordingly.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 429
August 27, 1974

Subject: Further Amendments to Circular No. 157 on the Computation of the Reserve Position of Savings and Loan Associations and the Effects of Reserve Deficiencies

Pursuant to Monetary Board Resolution No. 1435, dated July 12, 1974, Section 31 of Circular No. 157, is hereby further amended to read as follows.

Section 31. Computation of Reserve Position; Effects of Deficiencies

The reserve position of each Savings and Loan Association shall be calculated daily on the basis of the amount, at the close of business for the day, of the Association's reserves and the amount of its liability accounts against which the reserves are required to be maintained. For the purpose of computing the reserve position of each Association, its principal office in the Philippines and all its branches and agencies lo-

cated therein shall be considered as a single unit.

Whenever the reserve position of any Association, computed in the manner specified in the immediately preceding paragraph, is below the required minimum, the Association shall pay the Central Bank one-tenth of one per cent (1/10 of 1%) per day on the amount of the deficiency: Provided, however, the Associations shall ordinarily be permitted to offset any reserve deficiency occurring on one or more days of the week with any excess reserves which they may hold on other days of the same week and shall be required to pay the penalty only on the average daily deficiency during the week: Provided, further, that an Association shall be permitted to offset reserve deficiencies on Monday next following the week in question, provided that the reserve deficiency arises out of transactions on the Saturday of said week. In cases of abuse, the Monetary Board may deny any Association the privilege of offsetting reserve deficiencies in the aforesaid manner, for as long as that Association fails to maintain its daily reserve position above the required minimum for at least four (4) consecutive weeks. For purposes of this section, a series of reserve deficiencies, whether or not resulting in net weekly deficiencies, but occurring three (3) or more times during any given week for four (4) consecutive weeks, shall constitute abuse of the privilege of offsetting reserve deficiencies against excess reserves.

Whenever an Association chronically has a reserve deficiency, the Monetary Board may limit or prohibit the making of new loans or investments by the Association and may require that part or all of the net profits of the Association be assigned to surplus. Such limitation, prohibition or requirement shall be lifted only after the Association has had no reserve deficiencies for four (4) consecutive weeks. For purposes of this section, an Association shall be considered chronically deficient in its reserves when it shall have incurred net reserve deficiencies for four (4) consecutive weeks.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 430
August 27, 1974

Subject: Further Amendments to the Revised Rules and Regulations Governing Rural Banks, on the Computation of the Reserve Position of Rural Banks and the Effects of Reserve Deficiencies.

Pursuant to Monetary Board Resolution No. 1435, dated July 12, 1974, Section 172 of the Revised Rules and Regulations Governing Rural Banks is hereby amended to read as follows:

Section 172. Computation of Reserve Position; Effects of Deficiencies

The reserve position of a rural bank shall be computed daily based on the amount of its reserve and total deposit liabilities at the close of business for the day.

Whenever the reserve position of a rural bank computed in the manner provided for in the first paragraph falls below the required minimum, the bank shall pay the Central Bank one-tenth of one per cent (1/10 of 1%) per day on the amount of deficiency: Provided, however, that banks shall ordinarily be permitted to offset any reserve deficiency occurring on one or more days of the same week and shall be required to pay the penalty only on the average daily deficiency during the week. In cases of abuse, the rural bank concerned shall be denied the privilege of offsetting reserve deficiencies in the aforesaid manner for as long as that bank fails to maintain its daily reserve position above the required minimum for at least four (4) consecutive weeks. For purposes of this section, a series of reserve deficiencies, whether or not resulting in net weekly deficiencies, but occurring three (3) or more times during any given week for four (4) consecutive weeks, shall constitute abuse of the privilege of offsetting reserve deficiencies against excess reserves.

Whenever a rural bank chronically has a reserve deficiency, the Monetary Board may limit or prohibit the making of new loans or investments by the bank and may require that part or all of the net profits of the bank be assigned to surplus. Such limitation, prohibition or requirement shall be lifted only after the bank has had no reserve deficiencies for four (4) consecutive weeks. For purposes of this section, a rural bank shall be considered chronically deficient in its reserves when it shall have incurred net reserve deficiencies for four (4) consecutive weeks.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 431
September 2, 1974

**ADDITIONAL RULES AND REGULATIONS IMPLEMENTING
REPUBLIC ACT NO. 3765, OTHERWISE KNOWN AS
THE TRUTH IN LENDING ACT**

Pursuant to the provisions of Section 5 of Republic Act No. 3765, otherwise known as the Truth in Lending Act, the following rules and regulations are hereby promulgated to supersede those embodied under Circular No. 221 of May 18, 1966 and supplement those embodied in Circular No. 158 dated October 29, 1963:

SECTION 1. Offices Authorized to Enforce Rules and Regulations. All orders, policies, instructions, rules and regulations promulgated by the Mone-

tary Board to implement Republic Act No. 3765 shall be enforced by the following departments and office of the Central Bank of the Philippines:

- a) **Department of Commercial and Savings Banks, with respect to commercial, savings and development banks, and building and loan associations;**
- b) **Department of Rural Banks and Savings and Loan Associations, with respect to rural banks and savings and loan associations; and**
- c) **Office of Non-Bank Financial Intermediaries, with respect to non-bank financial institutions and other persons, whether natural or juridical, covered by the Act and not otherwise assigned to the above departments.**

The respective heads of the above departments and office shall have the authority to inspect or examine, personally or by deputy, all books, documents, papers or records of any creditor, necessary in their judgment to ascertain the facts relative to any credit transaction where the creditor requires as an incident to the extension of credit, the payment of a finance charge. Furthermore, they may require every creditor to submit data or information regarding contracts within the purview of Republic Act No. 3765 which they may deem necessary in carrying out the purposes of said Act.

SEC. 2. Availability for Inspection of Copies of Contracts. Every creditor shall keep in his office or place of business copies of contracts covering all credit transactions entered into by him which involve the extension of credit to another and the payment of finance charges therefor. Such copies shall be available for inspection or examination by the respective directors of the appropriate supervising and examining departments of the Central Bank of the Philippines or their duly authorized deputies.

In case the seven items of information mentioned in Section 1 of Circular No. 158 are not disclosed in the contract covering the credit transaction, said items, to the extent applicable, shall be disclosed in another document in a form to be prescribed by the Monetary Board, to be signed by the debtor and appended to the main contract.

SEC. 3. Submission of Information Sheets and Other Reports. Every creditor shall file with the appropriate supervising and examining department an information sheet and such other reports as the respective directors of the said departments may require, in the form or forms to be prescribed by the Monetary Board, regarding credit transactions entered into by such creditor.

SEC. 4. Posters. Every creditor shall post in a conspicuous place in his principal place of business, and branches, if any, an abstract of the provisions of Republic Act No. 3765 in the form or forms as may be prescribed by the Monetary Board.

SEC. 5. Who are Included in the Term "Creditor". The term "creditor" as defined in Sec. 3, paragraph (4), of Republic Act No. 3765, and Sec. 2,

paragraph (a), of Circular No. 158, shall include, but shall not be limited to, banks and banking institutions, insurance and bonding companies, savings and loan associations, credit unions, financing companies, installment houses, real estate dealers, lending investors, pawnshops, and any other person or entity engaged in the business of extending credit, who requires as an incident to the extension of credit, the payment of a finance charge.

SEC. 6. Effectivity. These additional rules and regulations shall take effect immediately.

FOR THE MONETARY BOARD:
(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 432
October 7, 1974

Paragraph 1, Section 3 of CB Circular No. 317 dated December 23, 1970, is hereby amended to read as follows:

Section 3. Items for Clearing

Items for clearing which shall consist of checks and documents payable on demand and drawn against a bank, institution or entity situated in Manila and its suburbs (Quezon City, Pasay City, Caloocan City, and San Juan, Mandaluyong, Makati, Parañaque, Navotas, Malabon, Marikina, and Pasig, all in the province of Rizal), may be cleared through the Clearing Office of the Central Bank of the Philippines. As evidence of the channel through which they are being negotiated, they shall be impressed by the sending bank, institution or entity with a special stamp to the effect that they have been cleared through the Clearing Office of the Central Bank of the Philippines. Checks and documents payable on demand and drawn against branches situated in Manila or suburbs of the above-mentioned banks, institutions or entities should be cleared through their respective Head Offices. All items to be exchanged should be properly endorsed and guaranteed before being sent to the Clearing Office and should bear the name of the bank, institution or entity to which they belong. The Clearing Office of the Central Bank of the Philippines shall be in no way responsible for any flaws or defects in the items or for any irregularity whatsoever in any of their features.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

CIRCULAR NO. 433

October 14, 1974

Pursuant to Monetary Board Resolution No. 2215 dated October 4, 1974, Circular No. 417 is hereby amended by adding the following paragraph after the first paragraph thereof:

“For the purposes of this Circular, government securities shall include only the following:

1. Securities issued by the National Government;
2. Securities issued by the Central Bank of the Philippines; and
3. Securities issued by other government entities, including government-owned and -controlled corporations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines.”

This Circular shall take effect immediately.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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CIRCULAR NO. 434

October 14, 1974

Effective immediately, banking institutions shall observe the following regulations concerning gifts or “give-aways” in connection with their promotional schemes/campaigns:

1. The period for the distribution of the gifts or give-aways shall not exceed thirty (30) days and only in connection with (1) the inauguration or transfer of office, (2) a bank anniversary celebration, and (3) the Christmas season;
2. No cash, or certificate, check, or instrument which can be exchanged for cash, except government securities, shall be allowed as gift or give-away;
3. The cost of the gift or give-away to be offered shall not exceed ten pesos (P10.00) for each deposit account;
4. In no case shall the money value of the gift or give-away be credited to the depositor's account;
5. Each deposit account shall be entitled to only one gift or give-away; and
6. No promotional plan involving the distribution of gifts or

give-aways shall be advertised, disseminated or implemented without the prior approval of the Central Bank of the Philippines.

To provide sufficient time for the processing thereof, programs or plans for the distribution of gifts or give-aways must be received by the appropriate supervising department of the Central Bank at least thirty (30) days before the scheduled date of distribution for banks situated in the Greater Manila Area and at least forty (40) days for banks outside this area.

As used in this Circular, (a) the term "gift" or "give-away" shall mean anything of value given at no charge to a depositor by the depository bank, including donations, as an inducement for the opening of a new savings, time or demand deposit account or the maintenance of an existing deposit account; and (b) Greater Manila shall consist of Manila, Quezon City, Pasay City, and Caloocan City and the municipalities of Makati, Malabon, Mandaluyong, Marikina, Navotas, Parañaque, Pasig and San Juan.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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CIRCULAR NO. 435
October 18, 1974

Pursuant to Monetary Board Resolution No. 2187 dated October 4, 1974, paragraphs 2 and 3 of Circular No. 415 are hereby amended to read as follows:

"Thrift banks and rural banks shall be allowed to collect up to 3 per cent per annum of the loan principal or the outstanding balance thereof, whichever is lower. Commercial banks and specialized banking institutions such as the Development Bank of the Philippines and the Land Bank shall be allowed to collect charges on a per annum basis on the loan principal or the outstanding balance thereof, whichever is lower, not exceeding the following rates:

<u>Amount</u>	<u>Maximum Rate Per Annum</u>
Not over P500,000	2.00%
Over P500,000 but not over P1,000,000	1.75%
Over P1,000,000 but not over P2,000,000	1.50%
Over P2,000,000 but not over P3,000,000	1.25%
Over P3,000,000 but not over P5,000,000	1.00%
Over P5,000,000	.75%

Thus, maximum charges on a P20,000 loan with a maturity of six months of a savings bank and a commercial bank will be 1-1/2% and 1%

thereof, respectively. Banks, however, may collect a minimum charge of P20.00 per annum for loans below P2,000.00. No person or corporation shall require charges to be paid in advance for a period for more than one year.

“In the case of a credit line and other similar credit accommodations, the charges shall be computed on the amount of each availment. All charges accruing to the government shall be for the account of the borrower.”

This Circular shall take effect immediately.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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CIRCULAR NO. 436
October 22, 1974

Subject: Implementing the Amendment by Presidential Decree No. 544 of R. A. No. 6390 removing the loan ceiling of P5,000.00 per farmer-borrower and authorizing the imposition of nominal service fees and other charges, exclusive of interest on the loan.

For your information and guidance, we are quoting hereunder the text of Presidential Decree No. 544 dated August 22, 1974:

“MALACAÑANG
Manila

PRESIDENTIAL DECREE NO. 544

AMENDING REPUBLIC ACT NUMBERED SIX THOUSAND THREE
HUNDRED NINETY, AS AMENDED

WHEREAS, it is the policy of Government to increase food production as the income of agrarian reform beneficiaries;

WHEREAS, agrarian reform beneficiaries are now being encouraged to engage in the production of multiple crops and in agricultural projects in order to maximize the utilization of their available land and labor resources;

WHEREAS, rural banks, Philippine National Bank and other financing institutions operating in rural areas are ideal outlets for the granting under supervised credit of the necessary loans to finance the multiple crops/projects of agrarian reform beneficiaries;

WHEREAS, under supervised credit, the amount of loans granted by rural banks and other financing institutions to their borrowers is

determined by the actual needs and viability of the projects to be financed and the repayment capacity of the borrowers; and

WHEREAS, the P5,000 maximum loan that may be granted at any one time to a farmer-borrower as provided under Section 16 of Republic Act No. 6390 is no longer realistic in view of the rising cost of production inputs such as fertilizers, feeds, pesticides, medicines, etc.

NOW, THEREFORE, I, FERDINAND E. MARCOS, by virtue of the powers in me vested by the Constitution and in order to help effect the desired changes and reforms in the social and economic structure of our society, do hereby order and decree the amendment of Republic Act No. 6390, as amended, as follows:

SECTION 1. The first paragraph of Section sixteen of Republic Act Numbered Six Thousand Three Hundred Ninety, as amended, is hereby amended to read as follows:

"Privileges and limitation of Rural Banks. - The total amount of loans that may be granted at any one time to a single borrower under the preceding section shall be determined by the actual need and viability of the project to be financed and the capacity of the borrower to repay the loan at interest not exceeding twelve per cent per annum, excluding service fees and other charges."

SECTION 2. The same act is hereby amended by adding the following section immediately after section seventeen thereof, which shall read as follows:

"SECTION 17-A. Applicability to Other Financing Institutions. All privileges extended to rural banks under this Act, including guarantee coverage under the Agricultural Guarantee Fund, may likewise apply to the Philippine National Bank and other financing institutions granting loans under supervised credit to agrarian reform beneficiaries."

SECTION 3. All Acts and part of Acts inconsistent with the provisions of this Decree are hereby repealed, amended or modified.

SECTION 4. This Decree shall take effect immediately.

DONE in the City of Manila, this 22nd day of August, in the year of Our Lord, nineteen hundred and seventy-four.

*(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines"*

In implementing the provisions of the above-quoted decree, banks and other financial institutions may grant at any one time loans in excess of P5,000.00 to any individual borrower who is a beneficiary of land reform on

the basis of actual need and viability of the project to be financed under the supervised credit system and on the capacity of the borrower to repay such loans. For this purpose, banks and other financial institutions may upon release of each loan collect, exclusive of interest on such loan, service fees and other charges not exceeding 2% or P150.00 per annum whichever is lower.

Please be guided accordingly.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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CIRCULAR NO. 437
November 4, 1974

Pursuant to R.A. No. 337, as amended, and R.A. 265, as amended, the Monetary Board, in its Resolution No. 2351 dated October 25, 1974, approved the following rules governing instruments which are the subject of quasi-banking functions under Circular No. 387:

1. Securities, warehouse receipts, quedans and other documents of title which are the subject of quasi-banking functions shall be physically delivered to the lender/purchaser together with the principal/overlying borrowing instrument, or to a custodian bank as signified in writing by the lender/purchaser: Provided, That, the custodian bank is not related directly or indirectly to the borrowing/selling entity, and: Provided, further, that a bank engaged in quasi-banking functions may not be allowed custodianship functions for securities issued or owned by the same, or securities in bearer form.
2. The delivery shall be effected upon payment and shall be evidenced by a securities delivery receipt duly signed by authorized officer/s of the entity performing quasi-banking functions and the lender/purchaser, or by the custodian bank.
3. The principal borrowing instrument without underlying securities, warehouse receipts, quedans, or other documents to title shall likewise be physically delivered to the lender/purchaser.

This Circular takes effect on December 1, 1974.

FOR THE MONETARY BOARD:
(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 438
November 4, 1974

**REGULATIONS STANDARDIZING DEPOSIT SUBSTITUTE
INSTRUMENTS**

Pursuant to R. A. 337, as amended, and R. A. 265, as amended, the

Monetary Board in its Resolution No. 2351 dated October 25, 1974 promulgated the following rules and regulations governing the issuance of deposit substitute instruments in relation to Circular Nos. 387, 388, and 389:

1. Only the following types of instruments may be issued by financial intermediaries, both banks and non-banks, as evidence of deposit substitute liabilities in connection with their quasi-banking functions:
 - 1.1 Promissory notes;
 - 1.2. Repurchase agreements; and
 - 1.3. Certificates of assignment/participation with recourse.
2. Acceptances, bills of exchange, and trust certificates shall not be used by financial intermediaries, banks and non-banks, as evidence of deposit substitute liabilities in connection with their quasi-banking functions. This prohibition shall not apply to the acceptance or negotiation of bills of exchange in connection with trade transactions, or to the issuance of trust certificates creating trust relationship, or to the issuance of post dated checks that may be attached to deposit substitute instruments.
3. Negotiable promissory notes acquired by banks and non-banks in connection with their quasi-banking functions, shall not be negotiated by mere indorsement and/or delivery, if they do not conform with the minimum features prescribed under Item 4. If these notes do not contain the features in Item 4, their negotiation shall be covered by any of the appropriate deposit substitutes instruments mentioned in Item 1.
4. Deposit substitute instruments issued by entities performing quasi-banking functions shall have the following minimum features:
 - 4.1. The present value and maturity value and/or the principal amount and interest rate and such other information as may be necessary to enable the parties to determine the cost or yield of the borrowing or placement shall be specified.
 - 4.2. The date of issuance shall be indicated at the upper right corner of the instrument, and directly below which shall be the maturity period or the word "demand", if it is a demand instrument.
 - 4.3. The payee may be identified by his trust account/deposit account number in both negotiable and non-negotiable instruments.
 - 4.4. Securities which are the subject of a repurchase agreement or a certificate of assignment/participation with recourse, shall be particularly described on the face of said instruments or on a separate instrument attached and specifically referred to therein and made an integral part thereof as to the maker, value, maturity, serial number, and such other particulars as shall clearly identify the securities.

- 4.5. The instrument shall provide for the payment of liquidated damages, in addition to stipulated interest, in case of default by the maker/issuer, as well as attorney's fees and costs of collection in case of suit,
- 4.6. A conspicuous notice at the lower center margin of the face of the instrument that the transaction is not insured by the Philippine Deposit Insurance Corporation.
- 4.7. The corporate name of the issuer shall be printed at the upper center margin of the instrument and directly below which shall be a designation of the instrument, such as, "Promissory Note" or "Repurchase Agreement".
- 4.8. The words "duly authorized officer" shall be placed directly below the signature of the person signing for the maker/issuer.
- 4.9. Each instrument shall be serially pre-numbered.
- 4.10. The copy delivered to the payee shall bear the word "Original" and the copies retained by the issuer shall be identified as "Duplicate", "File Copy" or words of similar import.
- 4.11. Only security paper with adequate safeguards against alteration or falsification shall be used.
5. Deposit substitute instruments shall conform to the language to be prescribed by the Central Bank. Any substantial deviation therefrom or any additional stipulation therein shall be referred to the Central Bank for prior approval. The size and appearance of these instruments should not be similar to the size and appearance of checks.
6. Entities performing quasi-banking functions are hereby prohibited from paying their deposit substitute liabilities, irrespective of the length of maturity, before the maturity date agreed upon and appearing on the instrument, the provisions of Section 2 of Circular No. 427 dated August 22, 1974 to the contrary notwithstanding.
7. Call slips or tickets may be used to evidence call loan transactions of not more than twenty-four (24) hours maturity or to cover reserve deficiencies. In all other cases, call loan transactions shall be evidenced by a promissory note containing the minimum features herein prescribed.
8. If there is any stipulation that payment of the deposit substitute shall be chargeable against a particular deposit account, it shall further provide that the liability of the maker/issuer of the instrument shall not be limited to the outstanding balance of said account.
9. Any agreement allowing the issuer/maker to substitute the underlying securities shall further provide that the actual substitution shall be with the prior written consent of the payee.

10. Automatic renewal upon maturity of the instrument may be affected only under terms and conditions previously stipulated by the parties.
11. Stipulations between the maker/issuer and the payee which are embodied in separate instruments shall be specifically referred to in the deposit substitute and made an integral part thereof.
12. In the case of repurchase agreements and certificates of assignment/participation with recourse, the stipulation shall clearly state either (1) that the underlying securities are being delivered to the buyer or assignee as collaterals or (2) that the ownership thereof is being transferred to the buyer or assignee.
13. Any entity performing quasi-banking functions which violates or fails to comply with the provisions of this Circular shall be liable to such administrative sanctions as the Central Bank shall determine, in addition to the penalties provided for under Section 34 of R.A. 265, as amended.

This Circular shall take effect on December 1, 1974.

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 439

November 4, 1974

**REGULATIONS ON MINIMUM CAPITAL REQUIRED
FOR NON-BANK FINANCIAL INTERMEDIARIES
ENGAGED IN QUASI-BANKING FUNCTIONS**

The following regulations are hereby promulgated pursuant to Sections 2-A and 2-C of Republic Act No. 337, as amended by Presidential Decree No. 71 dated 29 November 1972, and Monetary Board Resolution No. 826 of 26 April 1974.

A. Minimum capital to assets ratio

The combined capital accounts (net worth) of each non-bank financial intermediary engaged in quasi-banking functions shall not be less than an amount equal to eight per cent (8%) of its assets, which term is defined as total assets minus the following items:

1. Cash on hand and in banks;
2. Evidences of indebtedness of the Republic of the Philippines and of the Central Bank, and any other evidences of indebtedness or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;

3. Property and equipment, net of depreciation;
4. Equipment under lease, net of depreciation;
5. Receivables with remaining maturities of more than 365 days;
6. Investments and/or loans arising out of underwriting commitments; and
7. Loans to the extent covered by hold-out on, or assignment of, deposit substitutes/placements maintained in the lending institution engaged in quasi-banking functions and held in the Philippines;

plus the following contingent accounts:

1. Guaranteed loans with remaining maturities of 365 days or less; and
2. Instruments/accounts sold with recourse with remaining maturities of 365 days or less.

B. Adjustment Period

The capital to assets ratio shall be observed as follows:

4% effective December 1, 1974
 6% effective February 1, 1975
 8% effective April 1, 1975

C. Definition/Clarification of Terms

1. Combined Capital Accounts

This is synonymous with "net worth" or "unimpaired capital and surplus" and shall mean the total of unimpaired paid-in capital, surplus, and accumulated interim profits, net of such valuation reserves as may be required by the Central Bank/Securities and Exchange Commission.

2. Total Assets

The term "total assets" shall be the amount appearing in the balance sheet, net of valuation reserves.

3. Cash on hand and in banks

Total cash held consisting of currency and coins and deposits in banking institutions, other than deposit substitutes and/or placements.

4. Loans to the extent covered by hold-out on, or assignment of, deposit substitutes/placements maintained in the lending institution engaged in quasi-banking functions and held in the Philippines.

- a. A loan shall be considered as secured by hold-out on or assignment of deposit substitutes/placements only if the same is under a hold-out agreement or deed of assignment and main-

tained in the lending institution engaged in quasi-banking functions and held in the Philippines.

- b. The amount deductible from total assets shall be the outstanding balance of the loan to the extent covered by the corresponding hold-out agreement or deed of assignment.

5. Property and Equipment

These refer to tangible physical properties, including land, furniture and fixtures, office equipment, leasehold improvements, which are to be used for more than one (1) year in the regular operation of the business and normally not intended for resale. Such assets shall be unconditionally owned by the entity. Foreclosed property shall conform with the above requisites to qualify under this item. Basis of reporting is cost of acquisition minus allowance for depreciation.

6. Equipment Under Lease

These are heavy equipment, industrial machinery, business and office machineries and equipment, motor vehicles, appliances and other movable property purchased by the entity for the sole purpose of leasing them to clients as part of doing business. Basis of reporting is cost of acquisition minus allowance for depreciation.

7. Receivables

These refer to accounts, notes, loan receivables, placements in commercial papers and acceptances on deposit substitutes.

8. Investments and/or Loans Arising Out of Underwriting Commitments

These investments and/or loans are inventories of securities arising out of the entity's underwriting commitment. Loans are the obligations of the entity incurred to meet an underwriting commitment. Stocks purchased from the stock exchanges are excluded.

9. Guaranteed Loans

These pertain to contracts whereby the entity agrees to guarantee the obligation of another, e.g., signing as a co-maker or guarantor of a loan agreement. These are off-balance sheet items.

10. Instruments/Accounts Sold with Recourse

These refer to commercial papers, etc., or deposit substitutes under straight sale and receivables discounted with recourse to the selling entity.

11. Remaining Maturities

These refer to the running maturities, as distinguished from original maturities, of principal instruments, and not of the underlying papers.

12. New Loans and New Investments

These refer to any loan or investment involving disbursement of funds, except government securities.

D. Report on Compliance

Every non-bank financial intermediary engaged in quasi-banking functions shall compute for every business day its capital required and capital accounts and a report thereon shall be submitted to the appropriate office of the Central Bank of the Philippines, not later than the close of the seventh (7th) business day following the 15th and end of each month.

This report shall be prepared on Central Bank Form No. 7-26-06 and signed by a duly authorized officer of the entity. The first report shall cover the period December 1-15, 1974.

E. Sanctions

1. Any non-bank financial intermediary engaged in quasi-banking functions which is deficient in the capital requirement under this Circular shall be liable to the following sanctions starting immediately on the day following the reporting period without need of notice:
 - a. In case of capital deficiency for five (5) or more times within a reporting period:
 - (1) For the first offense - a fine of P500.00
 - (2) For the second consecutive offense - prohibition from extending new loans or making new investments, for a period of thirty (30) calendar days.
 - (3) For the third consecutive offense - extension of the penalty under the preceding paragraph for another thirty (30) calendar days.
 - (4) For the fourth consecutive offense - suspension of the certificate of authority to engage in quasi-banking functions for a period of thirty (30) calendar days. The suspension shall be automatically lifted if on the final reporting period of the period of suspension, the entity maintains the minimum capital required under this Circular for every day of such reporting period.

- b. In case of continuous capital deficiency:
 - (1) For two (2) consecutive reporting periods - suspension of the certificate of authority to engage in quasi-banking functions for a period of thirty (30) calendar days.
 - (2) For every consecutive reporting period, the suspension shall extend for another thirty (30) calendar days.
 - (3) The suspension shall be automatically lifted if on the final reporting period of the period of suspension, the entity maintains the minimum capital required under this Circular for every day of such reporting period.
 - c. In all of the cases abovementioned, establishment of branches, agencies, extension offices, etc., shall be suspended.
2. Any non-bank financial intermediary engaged in quasi-banking functions shall pay the following fines:
- a. For default in the submission of the report:
 - (1) P100 per business day for the first five (5) business days.
 - (2) P150 per business day for the succeeding five (5) business day.
 - (3) P200 per business day thereafter until submitted.
 - b. For improperly accomplished report, P100 per business day for every business day the report is not corrected, counted as of the date the error is brought to its attention until the corrected report is submitted.
3. For willfully making a false statement in the report or submitting a false report, the Certificate of Authority for quasi-banking functions shall be suspended/revoked.
4. The Monetary Board may impose additional sanctions on the entity engaged in quasi-banking functions, by:
- a. Relieving the chairman of the board of directors, the president, and the senior management officials, of their duties and responsibilities in the entity.
 - b. Revoking the certificate of authority to engage in quasi-banking functions.
 - c. Such other sanctions as the Central Bank may deem necessary.

This Circular takes effect December 1, 1974.

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 440
November 18, 1974

Pursuant to Monetary Board Resolution No. 2461 dated November 15, 1974, Section F of Circular No. 408 is hereby amended to read as follows:

"F. TRANSITORY PROVISIONS

"Banks shall be given until February 28, 1975 within which to comply with the requirement to set aside at least 25% of their loanable funds for agricultural credit."

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 441
November 19, 1974

Pursuant to Section 2-A of R.A. No. 337, as amended, the Monetary Board promulgated the following rules and regulations on campaigns to attract funds by non-bank financial intermediaries performing quasi-banking functions:

1. Programs, plans, benefits or incentives, designed to attract placement of funds in non-bank financial intermediaries performing quasi-banking functions, to provide sufficient time for processing thereof, must be received by the Central Bank at least thirty (30) days before the scheduled launching date of the plan or program for institutions in the Greater Manila Area, and at least forty (40) days for those outside this area. No such program, plan, benefit or incentive shall be advertised, disseminated, or implemented prior to Central Bank approval.

For purposes of this Circular, Greater Manila Area shall consist of Manila, Quezon City, Pasay City and Caloocan City and the municipalities of Makati, Malabon, Mandaluyong, Marikina, Navotas, Parañaque, Pasig, and San Juan

2. Raffles, lotteries or contests shall be subject to the following conditions:

- a. They must not be held more than once every quarter;
- b. They must not be tied up with the size of the placement/investment;
- c. They must not provide placers/investors with financial compensation for the use of their investments;
- d. New and old placers/investors are qualified, but shall be entitled to only one prize of the contests of any kind, including raffles and lotteries;
- e. Accounts of personnel of the sponsoring non-bank financial intermediary and those of their relatives within the first degree of affinity or consanguinity are disqualified;
- f. Total value of prizes, including donated prizes, for promotions in the form of raffles or lotteries for each non-bank financial institution, branch or agency shall not be more than P10,000.00 for entities located in the Greater Manila Area and all other cities, and P5,000.00 for those in other areas;
- g. The results of the raffle, lottery or contest shall be appropriately announced; the list of the winners with the corresponding prizes shall be posted in a conspicuous place within the entity's premises; and the winners shall be notified; and
- h. The results of such raffle, lottery or contest shall be attested to by two authorized officers of the concerned institution and reported to the Central Bank.

3. Promotional plans involving gifts or give-aways shall be subject to the following terms and conditions:

- a. The period for the distribution of the gifts or give-aways shall not exceed 30 days and only in connection with (1) the inauguration or transfer of office, (2) anniversary celebration, and (3) the Christmas season;
- b. No cash, or certificate, check or instrument which can be exchanged for cash, except government securities, shall be allowed as gift or give-away;
- c. The cost of the gift or give-away to be offered shall not exceed ten pesos (P10.00) for each account;
- d. The money value of the gift or give-away shall not be credited to the investors/placer's account;
- e. Each account shall be entitled to only one gift or give-away;

As used in this Circular, the term "gift" or "give-away" shall mean anything of value given at no charge to a placer/investor by the non-bank financial intermediary, including donations, as an inducement for the placement/investment of a new account or the maintenance of an existing account.

4. Existing promotional campaigns shall terminate 30 days from the date of this Circular.

Violations of this Circular shall subject the institution concerned to a fine of not more than P100 per day until the violation ceases. Directors/officers responsible for the violation shall be jointly liable for the payment of the fine. An entity which persistently violates any of the provisions in this Circular shall be liable to such other administrative actions as the Central Bank may impose.

This Circular shall take effect immediately.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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CIRCULAR NO. 442
December 12, 1974

Pursuant to M.B. Resolution No. 2534 dated November 22, 1974, the following regulations governing loans and advances/rediscunts to commercial and thrift banks (savings and mortgage banks, private development banks and stock savings & loan associations) are hereby issued:

SECTION 1. Ceilings

1. The ceilings on all loans or advances/rediscunts to commercial and thrift banks shall be 50 per cent and 100 per cent, respectively, of their paid-up capital as of the end of the quarter immediately preceding the date of application for Central Bank refinancing.
2. In the case of branches of foreign banks, the rediscount ceiling shall be 25 per cent of the "Capital Assigned" and/or "Net Due to Head Office" as of the date of application.

SECTION 2. Eligibility of Paper

1. Credit instruments offered as collateral shall be subject to the eligibility requirements provided under Sections 87 and 88 of R.A. 265, as amended.

SECTION 3. Loan Values

1. Paper offered as collateral for loans or advances to commercial and thrift banks under Section 87 of R.A. 265, as amended, shall be assigned loan values in accordance with Circular No. 223 dated June 25, 1966, as amended, as follows:

Group A - 80 per cent

B - 65 per cent

C - 50 per cent

provided, however, that paper under the following financing schemes shall have loan values equal to:

Masagana 99	100 per cent
G o l d	100 per cent
NGA rice and corn, for importation	80 per cent
Financing export activities under MAAB No. 64 dated May 16, 1973	80 per cent.

2. In addition, loans or advances to commercial and thrift banks under Section 88 of R.A. 265, as amended, shall not exceed 40 per cent of the total value of the payments, installments or amortizations offered as security.

SECTION 4. Interest Rates

1. The rates of interest to be assessed by the Central Bank on loans or advances to commercial and thrift banks and the maximum interest rates charged by the lending banks including other charges on such loans shall be as follows:

	Central Bank Rediscounting <u>Rate</u>	Commercial & Thrift Banks <u>Lending Rates</u>
(a) Financing the production of rice (other than Masagana 99) and corn, poultry and piggery, fishing, feed grains and sorghum	5	12
(b) Financing export activities under: Circular No. 223 dated June 25, 1966, as amended	5	9
MAAB No. 64 dated May 16, 1973	5	9
(c) Small-scale industries listed in the NEDA and BOI/DOI	5	12
(d) Borrowings on all other credit instruments pertaining to economic activities under Circular No. 223 dated June 25, 1966, as amended, not		

otherwise reflected above -

Group A	6	No administrative ceiling
B	7	No administrative ceiling
C	8	No administrative ceiling
(e) Emergency loans principally to meet the liquidity requirements of banks	12	—

SECTION 5. Maturities

1. The maturity of Central Bank loans or advances/rediscounts for commercial credit shall not exceed 180 days from the date the proceeds of such loans or advances/rediscounts are released to the applicant bank while those of production credit shall not exceed 360 days, from the date the proceeds for such loans or advances/rediscounts are released to the applicant bank.
2. Furthermore, advances against Treasury bills shall not exceed 60 days from the date of rediscount while those advances against other government eligible securities shall not be more than 180 days from date of rediscount.

SECTION 6. Effectivity

1. All other circulars, memoranda or regulations inconsistent herewith are hereby revoked, amended or modified accordingly.
2. This Circular shall take effect immediately.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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CIRCULAR NO. 443
December 12, 1974

Pursuant to M.B. Resolution No. 2534 dated November 22, 1974, savings and mortgage banks, private development banks and stock savings and loan associations, otherwise collectively known as thrift banks, may apply for a loan, advance or rediscount with the Central Bank, as provided for by R.A. No. 265, as amended, specifically under the following sections:

- Section 87 - for normal credit operations.
Section 88 - for special credit operations.

Any thrift bank desiring to avail itself of the rediscounting facilities of the Central Bank shall be subject to rules and regulations prescribed by the Department of Loans and Credit.

This Circular shall take effect immediately.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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CIRCULAR NO. 444
December 17, 1974

Pursuant to Monetary Board Resolution No. 2522, dated November 22, 1974, the effectivity of Circular No. 226, dated July 25, 1966, authorizing the rediscounting, at 80% loan value, of eligible papers covering loans to the sugar industry, as an exception to Circular No. 223, dated June 25, 1966, is hereby extended indefinitely but not to exceed five (5) crop years or up to December 31, 1979.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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CIRCULAR LETTER
January 9, 1974

TO: ALL BUILDING AND LOAN ASSOCIATIONS

Subject: Form CBP-7-16-05.A.1 Schedule 1 - Supplementary Data On
the Lending Operations of Building and Loan Associations

Starting with your report as of December 31, 1973, please accomplish the attached Form CBP-7-16-05.A.1 Schedule 1 - Supplementary Data on the Lending Operations of Building and Loan Associations and submit it as a regular attachment to CBP-7-16-05.A - Statement of Condition (Consolidated).

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

(Form CBP-7-16-05.A.1
not reproduced)

CIRCULAR LETTER

January 22, 1974

TO: ALL PRIVATE DEVELOPMENT BANKS

This is to advise that the Monetary Board in its Resolution No. 2375 dated December 21, 1973 approved a policy designed to increase the required minimum paid-up capital of private development banks, as follows:

- "1. To increase capital base and to promote stability, the private sector shall take appropriate steps to effect the desired increase as follows:
 - a) Existing private development banks located within the Greater Manila Area and fringes thereof as well as in chartered cities shall have a minimum paid-up capital of P4 million each within three (3) years.
 - b) Other existing private development banks (i.e., private development banks not located within the Greater Manila Area and fringes thereof, and in chartered cities) shall have a minimum paid-up capital of P2 million each within three (3) years.
 - c) No DBP counterpart is being provided in connection with the capital increase and the private stockholders/sector shall be ready to absorb the eventual complete retirement of the DBP stockholdings."

The program of capital build-up for a period of three (3) years or up to October 31, 1976 as approved above, shall be submitted not later than April 30, 1974.

In this connection, attached is a copy of the "Criteria in the Chartering of Branches/Extension Offices" for private development banks approved by the Monetary Board in its Resolution No. 885 dated May 18, 1973, as amended by M. B. Resolution No. 1122 dated June 22, 1973.

(SGD.) G. S. LICAROS
Governor

Att.: a/s

**CRITERIA IN THE CHARTERING OF BRANCHES/EXTENSION OFFICES
FOR PRIVATE DEVELOPMENT BANKS**

(M.B. Res. No. 885 dated May 18, 1973 as amended by M. B. Res. No. 1122 dated June 22, 1973)

A. Minimum requirements applicant bank must meet

1. At least 70% of the voting stock is owned by Filipinos;
2. All members of the board of directors are Filipinos;
3. The cumulative method of voting shall be used in electing the members of the board of directors;
4. The applicant bank, if located within the Greater Manila Area and fringes thereof or if located in chartered cities shall have a minimum capital of P4 million; and if located in other places, shall have a minimum capital of P2 million; or, the applicant bank has an approved program/plan to increase its paid-in capital to P4 million or to P2 million, as the case may be, within three years; provided that, the bank shall put up additional paid-in capital, if required and whichever amount is higher, as follows:
 - (a) P100 thousand additional capital for every branch to be established;
 - (b) Updated build-up of paid-in capital in accordance with the bank's approved program/plan of increased capitalization to P4 million or P2 million, as the case may be; or
 - (c) Additional paid-in capital as determined by the formula approved by the Monetary Board in its Resolution No. 940 dated July 27, 1965.

B. Other factors to be considered

1. Capital adequacy and solvency of applicant bank;
2. Profitability and capacity to absorb losses of applicant bank;
3. Reserve and liquidity position of applicant bank;
4. General compliance with other laws, rules, regulations and policies of the Central Bank;
5. Qualifications of proposed branch officers (Circular No. 356 dated January 8, 1973); and
6. Service area of proposed branch -
 - (a) The area to be served by the proposed branch is not overbanked and shall show economic growth or reasonable prospects thereof, to warrant the establishment of such branch (M.B. Resolution No. 167 dated January 31, 1961);
 - (b) "Service area" is defined as a pocket of concentrated economic activity, not necessarily a geographical area;
 - (c) Criteria on "overbanking" -
 - (1) The rates of return are so depressed by an excess of

banks in the locality that adequate banking performance for the customers' benefit is threatened in the long run; and

- (2) The level of deposits of banks in a locality or their growth is such as to indicate no reasonable prospects that the situation in (1) above will be reversed in the short run (M. B. Resolution No. 1295 dated August 10, 1971);
- (d) Unless there is very strong evidence of lack of banking facilities in a certain area/locality, the Central Bank shall not authorize the establishment of additional branch/office of banks of one category in said area/locality while there are at least two (2) branches/offices of banks of the same category which had been previously authorized to be established, but not yet opened, in the said area/locality (M. B. Resolution No. 1804 dated November 13, 1970);
- (e) The location of the proposed branch shall be at least ten (10) meters apart from any existing bank/branch or from any approved but not yet opened bank/branch, except where they are separated by a street;
- (f) A private development bank may be allowed to establish branches/extension offices within 30-kilometer radius reckoned from the territorial boundaries of the province where its head office is located, provided that the credit needs of the areas covered by its existing sphere of operation have been amply served; (Note: This shall not preclude private development banks from establishing branches on a nationwide basis, subject to such other conditions which Central Bank management may further prescribe in the future.) and
- (g) Where there are two or more private development banks applying for authority to establish a branch in the same city/municipality, and there is no sufficient justification to allow the establishment of more than one banking office in the area, the applicant bank, if found to be qualified, with its Head Office nearer/nearest (in distance) to the proposed site shall be allowed to establish such branch, regardless of whose application had been filed first.

C. Conditions precluding processing of the application

1. The applicant is a foreign bank;
2. The applicant bank has not completed one year of profitable operations from the date it opened for business;
3. The applicant bank has not complied with Circular No. 357 (Part III - Ceiling on Credit Accommodations to Directors, Officers and/or Stockholders);

4. The applicant bank has two (2) or more branches already approved but not yet opened;
5. In case the combined capital accounts of the applicant bank are found to be deficient continuously for a period of 30 days or more during the last 12 months immediately preceding the date the application was received, the bank's privilege to establish branches shall be suspended for the next 12 months; provided that, the bank may resubmit its application after said period;
6. In case the combined capital accounts of a bank are found to be deficient for five or more times within a 30-day period, but not continuously for a period of 30 days (reckoned during the last 6 months immediately preceding the date the application was received), the bank's privilege to establish branches shall be suspended for the next 60 days; provided that, the bank may re-submit its application after said period; and/or
7. Applications of banks for authority to establish branches shall not be processed until the bank concerned, having incurred net deficiencies in reserves against deposit liabilities, shall have had no net reserve deficiencies for eight consecutive weeks; provided that, in case the bank incurred net deficiencies in reserves for eight consecutive weeks during the last 12 months immediately preceding the date the application was received, the bank's privilege to establish branches shall be suspended for the next 12 months — in which case, the bank may resubmit its application after said period.

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CIRCULAR-LETTER

February 4, 1974

TO ALL BANKS:

In connection with Circular No. 380 dated August 22, 1973 requiring the Boards of Directors of banking institutions to cause an annual balance sheet audit/examination of their respective banks, please be reminded of the following requirements:

1. The first audit/examination shall commence with the balance sheet as of December 31, 1973 except those banks whose audit/examination were sooner required:
2. The audit/examination shall be started not later than thirty (30) days after the close of the calendar year 1973 and the audit/examination report shall be submitted to the Board of Directors of the bank not later than ninety (90) days after the start of the audit/examination;
3. Within thirty (30) days after receipt of the report, the Board of Di-

rectors of the bank, at a regular or special meeting, shall consider and act upon the findings and recommendations contained in the report; and

4. Within thirty (30) days after said meeting, the papers enumerated under Item 7 of the Circular shall be transmitted to the appropriate supervising and examining departments of the Central Bank.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

- 0 -

CIRCULAR LETTER
February 6, 1974

TO : ALL SAVINGS BANKS

Subject: Amendments of certain guidelines governing the increased capitalization program for savings and mortgage banks

The Monetary Board, in its Resolution No. 38 dated January 11, 1974, approved the following amendments of certain guidelines governing the increased capitalization program for savings and mortgage banks:

- "1. To retain the required minimum paid-in capital of P10 million as approved by the Monetary Board under Resolution No. 2078 dated November 9, 1973 for each of the existing savings and mortgage banks with head offices located in the Greater Manila Area and fringes thereof;
- "2. To maintain the program of capital build-up for a period of three (3) years as approved under Resolution No. 2375, dated December 21, 1973, or up to October 31, 1976; provided, however, that the deadline for submission of programs shall be extended up to April 30, 1974; and
- "3. To retain the previous formula for additional paid-in capital required in connection with the establishment of branches of savings and mortgage banks, as approved under Resolution No. 2078 dated November 9, 1973."

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

INTERNATIONAL OPERATIONS SECTOR

CIRCULAR LETTER

February 22, 1974

TO ALL AUTHORIZED AGENT BANKS:

In connection with the then Department of Supervision and Examination's (now Department of Commercial and Savings Banks) Circular Letter dated December 31, 1971 requiring the prior clearance of the then Special Studies Unit, Office of the Governor (now Current Imports and Commodity Classification Office) to effect the release of importations covering empty bottles and containers, it is hereby advised that the import applications and/or requests for issuance of release certificates (either thru letters of credit, D/A or open account arrangements) of pharmaceutical/drug/chemical firms covering such empty bottles and containers, including the caps, stoppers and packagings thereof, which fall under importable categories, may now be acted upon by the agent banks concerned upon the applicant-firms' certification under oath that the said items shall be exclusively used for the manufacture of medicinal and pharmaceutical products.

It is understood, however, that the container and packaging requirements of the abovestated firms which fall under the banned categories and which are not exclusively used for the manufacture of pharmaceutical products, as well as all other firms not engaged in the manufacture of pharmaceutical/chemical/medicinal/drug products shall continue to be referred to the Current Imports and Commodity Classification Office (CICCO).

Please be guided accordingly

(SGD.) CESAR J. LOMOTAN
Deputy Governor

- 0 -

OFFICE OF THE SENIOR DEPUTY GOVERNOR

CIRCULAR LETTER NO. 1

March 14, 1974

TO: ALL NON-BANK FINANCIAL INTERMEDIARIES

1. Whenever vacancies are created or filled in the Board of Directors, sub-bodies of the Board, or the managerial staff of non-bank financial intermediaries enumerated in CB Circular No.394, it shall be the responsibility of the corporate secretary to make the pertinent written report to the Office of Non-Bank Financial Intermediaries, Central Bank of the Philippines, within fifteen (15) days following the occurrence of the event. The biodata of the newly elected member/s of the Board, or newly appointed members of the

sub-body of the Board or the managerial staffs shall likewise be submitted.

2. Any changes or amendments in the Articles of Incorporation, Articles of Partnership, By-laws or material documents required to be submitted to the Office of Non-Bank Financial Intermediaries, shall be reported by submitting copies of the amended Articles of Incorporation, Articles of Partnership, By-laws, or material document to that Office within fifteen (15) days following the approval of such changes by the proper authorities.

Strict compliance with the above requirements is hereby enjoined.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

CIRCULAR LETTER
March 28, 1974

TO: ALL FUND MANAGERS

In clarification of Circular No. 394, series of 1973, pertaining to the submission of periodic reports by non-banking financial intermediaries, the attention of all fund (trust, provident, pension and retirement) managers, is hereby called to the proper accomplishment of the following forms:

1. CBP-7-26-01-E (Information Sheet) shall be accomplished by the trust officer in the case of banks, the chairman of the board of trustees in the case of foundations or trust corporations, other than banks, and the fund manager personally managing funds of others in the case of individuals.

Any person or institution handling several types of fund management services shall accomplish only one Information Sheet; provided, that a schedule of the types of fund management services being undertaken, containing the information required under Nos. 5-14 of said form for each service and indicating the number of accounts under each service, shall be attached.

2. CBP-7-26-02-E (Consolidated Balance Sheet) and CBP-7-26-03-E (Consolidated Statement of Income and Expenses) shall be accomplished by the chief accountant or the fund manager himself, for each type of fund management service, consolidating the accounts falling under each type of fund management service.

3. A distinction between corporate and personal funds being managed shall at all times be observed.

The term "Fund Managers" refers to juridical and natural persons engaged in all forms of administration of property, or money and its

equivalent, for the benefit of the owner or a third person. This concept is functional rather than institutional. It shall not be limited to the technical or legalistic definitions nor shall it be constricted by hairline distinctions between administration and agency, consultancy and services. It may include, but need not be limited to (a) administrators or executors of estates, trusts, life insurance, (b) guardianship, (c) custodianship, (d) transfer agency, (e) managing agents, (f) escrow agency, and (g) such other activities or services which the Monetary Board may, from time to time, determine.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

- 0 -

CIRCULAR LETTER
May 13, 1974

To all Authorized Agent Banks:

Effective immediately, letters of credit opened pursuant to specific authorizations of this Department may be amended by the Authorized agent bank/s concerned, without the necessity of prior Central Bank approval, in the following cases:

1. Extension of expiry dates not exceeding 90 days from date of opening; and
2. Increase in value due to inclusion of, or increase in freight, insurance and other forwarding charges.

Please be guided accordingly.

Very truly yours,

(SGD.) G. V. SOLIVEN
Director

- 0 -

CIRCULAR LETTER
16 May 1974
(CBP: ONBFI No. 2-A)

TO: ALL FUND MANAGERS

The deadline for submission of periodic reports to the Office of Non-Bank Financial Intermediaries, Central Bank of the Philippines, pursuant to CB Circular No. 394, is hereby extended to 31 May 1974, within which all fund managers are enjoined to fully comply with the requirements. Those

who have not submitted the initial reports for the year ended 31 December 1973 shall submit the same together with the quarterly report for the quarter ended 31 March 1974 on or before 31 May 1974.

(SGD.) G. S. LICAROS
Governor

- 0 -

CIRCULAR LETTER
May 27, 1974

TO: Commercial Banks
Savings Banks
Development Banks
Rural Banks
Savings and Loan Associations

In accordance with the agreement reached in the conference held on April 23, 1974 between the Central Bank Committee on Savings and the banking system represented by the bank officers designated by the different associations (see attached Annex A), the advertising expenses to be incurred in connection with the National Savings for Progress Campaign for the period from February to June, 1974, estimated at P500,000 will be shared to the extent of 50% or P250,000.00 each by the Central Bank and the private banking community. The share of the banking sector will be allocated among member banks as follows:

	<u>Amount</u>	<u>Per Cent</u>
Commercial Banks	<u>P 162,500</u>	<u>65</u>
Thrift Banks	<u>P 25,000</u>	<u>10</u>
Savings Banks (excluding Phil. Postal Savings Bank) . . .	12,500	5
Private Development Banks . .	7,500	3
Stock Savings & Loan Asso- ciations	<u>5,000</u>	<u>2</u>
Regional or Rural Banks	<u>P 62,500</u>	<u>25</u>
Total	<u>P 250,000</u>	<u>100</u>

The assessment for Commercial, Savings, and Development Banks and for Savings and Loan Associations shall be in proportion to their total assets held as of March 31, 1974 but in no case shall it be less than P100.00 per bank. For Rural Banks, the assessment is at a flat of P105.00 per bank.

The individual assessment of all member institutions, except rural

banks, will be announced later either by the Director, Department of Commercial and Savings Banks or the Director, Department of Rural Banks and Savings and Loan Associations.

We thank you for your continued cooperation in this National Savings for Progress Campaign.

(SGD.) ESCOLASTICA B. BINCE
Chairman

(Attachment not reproduced)

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CIRCULAR LETTER
May 28, 1974

Pursuant to Monetary Board Resolution No. 1027 dated May 17, 1974, the deadline set for the filing by importers of applications for availment of the privilege provided in Central Bank Circular Letter dated January 19, 1973 is June 30, 1974.

Accordingly, this Office shall consider requests for release of qualified importers whose shipments were seized and/or impounded on or before December 31, 1972 pursuant to the aforesaid Circular Letter, only if such requests are filed on or before June 30, 1974.

Please be guided accordingly.

(SGD.) ALITA R. MARTEL
Assistant to the Governor
In-Charge

- 0 -

CIRCULAR LETTER
June 10, 1974

TO ALL GOVERNMENT OFFICES/AGENCIES CONCERNED:

Effective immediately all government offices/agencies which may enter into contracts for government projects should make provision for the local purchase, whenever possible, of locally available machinery and/or motor vehicles required in such projects.

(SGD.) CESAR J. LOMOTAN
Deputy Governor

[221]

CIRCULAR LETTER

June 27, 1974

TO : ALL INVESTMENT HOUSES

Pursuant to Section 12 of P.D. No. 129 (The Investment Houses Law), all investment houses shall cause the publication of their quarterly consolidated balance sheets dated March 31, June 30, September 30 and December 31 of every year, or as at such other dates as the Central Bank may require, within thirty (30) days following the end of such period, in any of the three (3) daily newspapers with the highest number of paid nationwide circulation as certified by the appropriate government office, in a classified box measuring not less than two-column by seven (7) inches, in accordance with the attached format and instructions.

The published consolidated balance sheet must be signed by the president or the officer duly authorized by the board of directors of the entity. The publication requirement hereunder shall commence with the quarter ending June 30, 1974.

Compliance herewith is strictly enjoined.

(SGD.) AMADO R. BRIÑAS

Senior Deputy Governor

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CIRCULAR LETTER

June 29, 1974

TO : ALL BANKS

In connection with Section D (Submission of Reports) of Circular No. 408 - Rules and Regulations Governing the Grant of Agricultural Credit by Banking Institutions under Republic Act No. 6389 dated May 31, 1974, please be advised that the first monthly report shall be as of July 31, 1974.

Please be guided accordingly.

(SGD.) AMADO R. BRIÑAS

Senior Deputy Governor

- 0 -

CIRCULAR LETTER

July 18, 1974

TO ALL BANKS CONCERNED:

We wish to invite your attention to Item 3, Part III of CB Circular No. 357 dated January 22, 1973 which in part provides thus --

[222]

"Directors, officers, stockholders whose outstanding credit accommodations as of date of this Circular exceed the individual ceiling prescribed herein shall comply with the ceiling requirements within a period of eighteen (18) months from such date."

In this regard, please be reminded that the above-mentioned eighteen (18) months period within which your director(s)/officer(s)/stockholder(s) are to comply with the individual ceiling prescribed by Circular No. 357, with respect to their outstanding credit accommodations from you in excess as of January 22, 1973 of said ceiling, will expire on July 22, 1974. Those said outstanding credit accommodations of your director(s)/officer(s)/stockholder(s) that have not been reduced within the said prescribed individual ceiling on or before July 22, 1974 will be treated as violations of CB Circular No. 357 and will thus be subject to the sanctions provided in Item 2, Part IV of the said Circular.

It may be informed, in this connection, that car loans and real estate loans and other specific loans which were granted to your officers before January 22, 1973 and with maturities exceeding eighteen (18) months from such date need not be reduced to a level equal to the prescribed individual ceiling within the required 18-month period. However, these loans may not be increased/renewed/extended after January 22, 1973 without complying with the provisions of CB Circular No. 357.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

- 0 -

CIRCULAR LETTER
July 31, 1974

TO: ALL NON-BANK FINANCIAL INTERMEDIARIES WITH QUASI-BANKING FUNCTIONS

Pursuant to Section 10 of Central Bank Circular No. 387 dated November 19, 1973, and to ensure proper compliance therewith, the monthly certification on quasi-banking operations shall be accomplished in the attached prescribed forms:

1. Sworn Statement (CBP-7-26-07)
2. Breakdown of Transactions with Controlled Corporations (CBP-7-26-07.1)

The reports for the month of July 1974 shall be accomplished in the above prescribed forms.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

(Forms detached)

CIRCULAR LETTER

August 2, 1974

**TO: ALL BANKS AUTHORIZED TO ACCEPT
FOREIGN CURRENCY DEPOSIT UNDER
CIRCULAR 343**

Please be advised that the new form number of the Monthly Balance Sheet and Semestral Profit and Loss Statement for Circular 343 transactions indicated in Circular-Letter dated July 24, 1974 should read as follows:

Monthly Balance Sheet — CBP-6-22-51.3 instead of
CBP-FED-6-22-51.3

Semestral Profit and
Loss Statement — CBP-6-22-51.4 instead of
CBP-FED-6-22-51.4

Please be guided accordingly.

(SGD.) R.G. CRUZ
Director

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CIRCULAR LETTER

August 6, 1974

**TO : ALL COMMERCIAL, SAVINGS, DEVELOPMENT AND RURAL
BANKS, BUILDING AND LOAN ASSOCIATIONS AND STOCK
SAVINGS AND LOAN ASSOCIATIONS**

Effective immediately, all banks, including building and loan associations, shall submit a certified list of the members of the board of directors and officers (indicating their positions) as defined under Section 2.2 and/or 2.3 of Circular No. 356, as amended on August 17, 1973, within thirty (30) days following the annual election of their respective board of directors to the appropriate supervising and examining department.

This amends all previous memoranda and regulations on the matter.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR LETTER

August 12, 1974

**TO ALL BANKS AUTHORIZED TO ACCEPT
FOREIGN CURRENCY DEPOSITS UNDER
CIRCULAR 343.**

Effective immediately, authorized depository banks under Circular 343

shall submit with CBP-6-22-51 (Consolidated Report of Foreign Currency Deposit Position and Corresponding Eligible Cover) a report of their foreign currency loans under the aforesaid circular in the attached report format (Schedule 3 of CBP-6-22-51).

Please be guided accordingly.

(SGD.) R. G. CRUZ
Director

(Schedule 3 of CBP-6-22-51 detached)

- 0 -

CIRCULAR LETTER
September 5, 1974

TO ALL AUTHORIZED AGENT BANKS:

Effective immediately, all authorized agent banks may issue, without need of prior approval from the Central Bank, the release certificates covering shipments involving importable items (e.g. books, milk, canned goods etc.) which include knocked down cartons sent free of charge by the suppliers as spares and/or as replacements for damaged/defective cartons in transit.

However, bi-monthly reports of the details of such letters of credit opened by agent banks concerned pursuant to the authority so granted shall be submitted to the Current Imports and Commodity Classification Office for control purposes.

(SGD.) CESAR J. LOMOTAN
Deputy Governor

- 0 -

CIRCULAR LETTER
September 23, 1974

**TO: ALL BANKS, PROVINCIAL, CITY AND MUNICIPAL TREASURERS,
AND LAW ENFORCEMENT AGENCIES**

The Central Bank has been receiving information from various sources to the effect that there are counterfeit 50-peso "Ang Bagong Lipunan" notes in circulation. The alleged counterfeits are supposed to be unexchanged 50-peso notes, Pilipino series, wherein the "Ang Bagong Lipunan" mark were simulated.

There is reason to believe that the alleged counterfeit 50-peso notes may be genuine "Ang Bagong Lipunan" series. However, it is possible that such notes are suspected to be spurious on account of the dark appearance of

the "Ang Bagong Lipunan" legend and design. In view of technical difficulties encountered in superimposed printing, there are certain 50-peso Central Bank notes where said legend and design are overinked and the shifting of color from red to brown seems abrupt.

The serial numbers of demonetized 50-peso Central Bank notes, Pilipino series (without "Ang Bagong Lipunan" mark) have only one prefix letter, from "A" to "Z", inclusive. Hence, if a suspected note bears a serial number with one such prefix letter, the same has been demonetized and the "Ang Bagong Lipunan" legend and design that may appear thereon have been simulated.

Such demonetized notes should be forwarded to the Cash Department, Central Bank of the Philippines, Manila, for further verification, after the corresponding receipt therefor has been issued to the bearer thereof.

Please be guided accordingly.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

- 0 -

CIRCULAR LETTER
October 31, 1974

TO: ALL BANKS

In accordance with the agreement reached in the conference held on September 5, 1974, between the Central Bank Committee on Savings and the banking sectors represented by the bank officers designated by the different associations (see attached Annex A), the advertising expenses of the National Savings for Progress Campaign for the period from July to December, 1974, estimated at P600,000.00 will be shared to the extent of 50% or P300,000.00 each by the Central Bank and the banking community. The share of the banking sector will be allocated among member banks as follows:

	<u>Amount</u>	<u>Per Cent</u>
Commercial Banks	<u>P175,500</u>	<u>65</u>
Thrift Banks	<u>P 27,000</u>	<u>10</u>
Savings Banks (excluding		
Phil. Postal Savings Bank)	P 13,500	5
Private Development Banks	8,100	3
Stock Savings & Loan Assns.	<u>5,400</u>	<u>2</u>
Regional or Rural Banks	<u>P 67,500</u>	<u>25</u>
Sub-Total	<u>P270,000</u>	<u>100</u>
Specialized & Unique Banks		

Land Bank of the Philippines P 10.000
Development Bank of the Phil. 20,000

Total P300,000

The assessment for Commercial and Thrift Banks shall be in proportion to their total assets held as of June 30, 1974, but in no case shall it be less than P100.00 per bank. For Rural Banks, the assessment is at a flat rate of P110.00 per bank. As usual, the CB Accounting Department will bill individually all the banks concerned based on the assessment furnished by the respective supervising departments.

Thank you again for your continued cooperation in this national effort.

(SGD.) ESCOLASTICA B. BINCE
Chairman

(Attachment not reproduced)

- 0 -

CIRCULAR LETTER
October 31, 1974

TO ALL AGENT BANKS

**SUBJECT: Reporting Requirements for Gold Transactions
Pursuant to Circular No. 401 dated April 24, 1974.**

Authorized Gold Dealers shall report their gold transactions daily to the Central Bank under CBP 6-22-01.1 (Formerly FED 1 Table I) Consolidated Daily Summary of Foreign Exchange Transactions, together with the supporting schedules, in the same manner as they report their foreign exchange transactions.

Gold purchases should be reported under CBP 6-22-01.1 as a debit to Item 9 "Other Monetary Foreign Assets". Likewise, it should be reported under CBP 6-22-01.2 (Formerly CBP-FED 1 Table II) "Daily Summary of Foreign Exchange Acquisitions and Dispositions, under Letter E "Acquisitions", Item 26 - below "Merchandise Exports" and indicated as "Gold Purchases". Accordingly, the same should be reported under CBP 6-22-01.2.1 (formerly CBP 1 Table 2.1) "Details of Daily Foreign Exchange Acquisitions; Merchandise Exports" below Letter I, "Proceeds of Exports Bills Received" and indicated also as "Gold Purchases."

Please be guided accordingly.

(SGD.) CESAR J. LOMOTAN
Deputy Governor

CIRCULAR LETTER

November 8, 1974

TO: ALL AUTHORIZED AGENT BANKS AND AUTHORIZED FOREIGN EXCHANGE DEALERS

Please be advised that Hongkong and Singapore dollar currency notes purchases of Authorized Agent Banks and Authorized Foreign Exchange Dealers may be sold directly to the Central Bank for pesos at buying rates prescribed daily by the Central Bank.

Please be guided accordingly.

(SGD.) R. G. CRUZ

Director

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CIRCULAR LETTER

November 13, 1974

TO ALL THRIFT BANKS:

The following guidelines/criteria are hereby promulgated in connection with the establishment of "savings agencies" of thrift banks:

1. Definition: operations and functions:

A savings agency is a mini-extension office of an existing branch/extension office of a thrift bank or of the head office of the thrift bank itself. The establishment of "savings agencies" is to penetrate those areas in the country by thrift banks where the establishment of branches or extension offices of these types of banks would be too expensive and unprofitable. All transactions of the savings agency should be taken up and recorded daily by the supervising or mother branch/extension office/head office.

A savings agency shall operate/offer banking services to the public, such as, servicing deposits and withdrawals and accepting small loan applications subject to the limitations of Section 31 of Republic Act No. 337, as amended, for savings and private development banks, and of Section 5(a) of Republic Act No. 3779, as amended, for stock savings and loan associations. It shall have for its primary purpose of providing a vehicle through which banking facilities may be brought closer to the people and bank consciousness inculcated in the minds of the people. The staff of a savings agency shall therefore endeavor to educate the people on the advantages of doing business with thrift banks. These savings agencies shall be an instrument through which the Central Bank may conduct its current campaign for increased savings thus generate deposits.

If a thrift bank has no branch in the area but only an extension office where no books of accounts are kept but only submits its daily transactions to its head office or the nearest branch of its head office, such savings agency to be established shall be under the supervision of this existing extension office. This existing extension office shall therefore consolidate its own daily transactions and the daily transactions of the savings agency under its supervision for daily recording by the supervising or mother branch or head office.

2. Location; banking hours; area of establishment; and application to establish:

A savings agency shall be located within a radius of fifty (50) kilometers from its supervising or mother branch/extension office/head office. However, in exceptional cases where the place is remote and thrift banks or their branches are limited in numbers, especially in places in the Visayas and Mindanao, the radial distance may be allowed up to one hundred (100) kilometers provided that it can be justified by the applicant thrift bank that such place is not within the radius of existing or approved but not yet opened thrift banks or rural banks or their branches/extension offices, in which case the processing of such application shall be on a case-to-case basis.

A savings agency shall observe banking hours similar or within the banking hours of its supervising or mother branch/extension office/head office; shall observe banking days similar to its supervising or mother branch/extension office/head office; and shall be established in any town, market, trade or population center which is not within the vicinity or service area of existing or approved but not yet opened thrift banks or rural banks or their branches/extension offices. Provided however, that if a savings agency is established inside a market, it shall be subject to the same guidelines/criteria on the establishment of "money shops" under Circular No. 420 dated August 5, 1974, and such savings agencies inside a market shall be called "money shops" which shall therefore operate/function as such within the limits of said Circular No. 420. Provided further, that if a savings agency is established in places not inside a market, it shall be subject to the pertinent or applicable guidelines/criteria on the establishment of branches/extension offices, and also to the pertinent or applicable guidelines/criteria on the establishment of "money shops" as enumerated below.

Savings agencies shall be allowed to be established only upon prior approval by the Central Bank. A thrift bank applying for authority to establish a savings agency in a place not inside a market shall submit a feasibility study on the proposed site for evaluation by the appropriate supervising and examining department which shall determine, on a case-to-case basis, the viability of the

proposed savings agency. The appropriate supervising and examining department shall process the application to establish a savings agency not inside a market in accordance with the following guidelines/criteria:

- a. The bank must have completed one year of profitable operations from the date it opened for business/must have shown one year of profitable operations immediately preceding the date it filed its application;
- b. In case the combined capital accounts of the applicant bank are found to be deficient for five or more times within a 30-day period during the last six (6) months immediately preceding the date the application was received, the privilege to establish savings agencies shall be suspended for the next 60 days thus giving due course to the applications of other thrift banks; the bank may re-submit its application after said period of suspension, provided that no application of other thrift banks in the same area/vicinity is being processed when the subject bank re-submits its application.

If the deficiency is continuous for a period of 30 days or more during the last 12 months immediately preceding the date the application was received, the privilege to establish savings agencies shall be suspended for the next 12 months thus giving due course to the applications of other thrift banks; the bank may re-submit its application after said period of suspension provided that no application of other thrift banks in the same area/vicinity is being processed when the subject bank re-submits its application;

- c. Applications of banks for authority to establish savings agencies shall not be processed until the bank concerned, having incurred net deficiencies in reserves against deposit liabilities, shall have no net reserve deficiencies for eight consecutive weeks; provided that, in case the bank incurred net deficiencies in reserves for eight consecutive weeks during the last 12 months immediately preceding the date the application was received, the privilege to establish savings agencies shall be suspended for the next 12 months thus giving due course to the applications of other thrift banks; the bank may re-submit its application after said period of suspension provided that no application of other thrift banks in the same area/vicinity is being processed when the subject bank re-submits its application;
- d. In cases where there are two or more applications of banks for authority to establish savings agencies in the same area/vicinity, the following priorities shall govern:
 - 1) First priority — Banks which have already achieved the required minimum paid-in capital;

- 2) Second priority— Banks which have approved programs or plans to increase their paid-in capital with accelerated installments on build-up of paid-in capital in accordance with the bank's approved program;
- 3) Third priority — Banks which have approved programs or plans to increase their paid-in capital, installments on capital build-up of which are not yet due or with up-dated build-up of paid-in capital in accordance with the bank's approved programs; and
- 4) Fourth priority — Banks which have approved programs or plans to increase their paid-in capital, installments on which are not up-to-date.

In any of the priority levels, the "first-come, first-served basis" shall apply, meaning that whenever two (2) or more applications are received in any given day for the same area/ vicinity and the applicants fall under the same priority level, the earlier application shall be considered;

- e. General compliance with other laws, rules, regulations and policies of the Central Bank;
- f. Qualifications of proposed officers/staff of the proposed savings agency (Circular No. 356 dated January 8, 1973);
- g. No additional applications shall be processed by the appropriate supervising and examining department if the applicant bank has five (5) or more savings agencies approved but not yet opened; and
- h. A savings agency shall open for business within six (6) months from date notice of approval was received by the applicant bank; otherwise, the approval is automatically revoked and applications of other thrift banks shall be given due course.

(SGD.) G. S. LICAROS
Governor

- 0 -

CIRCULAR LETTER
November 15, 1974

TO : ALL THRIFT BANKS

In line with the policy of promoting the diffusion of bank ownership, the Monetary Board, in its Resolution No. 2458 dated November 15, 1974, approved the following rules to govern the maximum stockholdings of a single

individual or a family group in any new banking institution other than a commercial or rural bank:

- "1. No single individual or persons related to each other within the third degree of consanguinity or affinity shall own more than thirty-five per cent (35%) of the voting stock of such new banking institution.
- "2. After the incorporation of such new banking institution, however, it shall be subject to the limitations in line with Sec. 12-D of Republic Act No. 337, as amended, that is, any single individual or a family group owning more than twenty per cent (20%) of the voting stock of such banking institution shall not increase these equity holdings in that institution, but these holdings may be reduced, and, once reduced, shall not be increased thereafter beyond twenty per cent (20%) of the voting stock of the institution.
- "3. In the exercise of pre-emptive rights or in any purchase of additional shares, any individual or family group holdings in excess of twenty per cent (20%) may be maintained, but shall not be increased, provided that the proportion of the holdings before and after the purchase or subscription remains the same.
- "4. For purposes of determining compliance with the limitations on individual or family group holdings, all banking institutions other than commercial or rural banks shall report to the appropriate supervising department in the Central Bank, any sale or other forms of transfer of ownership of their shares of stock.
- "5. These rules shall take effect upon approval."

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

- 0 -

CIRCULAR LETTER
November 25, 1974

TO : ALL FINANCIAL INTERMEDIARIES WITH QUASI-BANKING
FUNCTIONS

In order to ensure compliance with Circular No. 437, please submit an inventory of securities held under custodianship arrangements arising out of quasi-banking transactions as at 30 November 1974, indicating the following:

1. Type of Securities Sold/Assigned;

2. Serial Number;
3. Transaction Date; and
4. Maturity Date of Overlying Instruments.

The report of banks shall be submitted to the Department of Commercial and Savings Bank and the non-banks to the Office of Non-Bank Financial Intermediaries, not later than 31 December 1974.

Please be guided accordingly.

(SGD.) C. P. VALENZUELA
Special Assistant to the Governor

- 0 -

CIRCULAR LETTER
December 4, 1974

The Monetary Board in its Resolution No. 810 dated May 13, 1969 decided that, as a matter of policy, meetings of boards of directors of domestic banking institutions shall be held only within the Philippines.

In this connection, all domestic banking institutions should include in their by-laws to be adopted or amended, a provision that meetings of their boards of directors shall be held only within the Philippines.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

January 14, 1974
(MAAB No. 3)

As requested by the Commissioner of Internal Revenue, Authorized Agent Banks are enjoined to indicate accurate information in official receipts covering the collection of national internal revenue taxes. We are, therefore, reiterating the following extracted portions from our MAAB dated June 19, 1970:

“XXX XXX XXX XXX.

- “4. Official receipts shall be accomplished accurately and legibly. Attention should be given the amount in words, in figures and as validated that there should be no inconsistency. All blanks should be properly filled in.

- "5. Carbon paper should be changed as often as necessary to make all copies of the official receipts legible.
- "6. The number of the Tax Payment Acceptance Order shall always be noted in the official receipt.
- "7. Information appearing in the Tax Payment Acceptance Order shall be the same information that shall appear in the corresponding official receipt. Authorized Agent Banks should NEVER round off the amount appearing in the TPAO; whatever amount appears in the TPAO shall be the same amount accepted by the Authorized Agent Bank and indicated in the official receipt.

"XXX XXX XXX XXX.

(SGD.) AMADO R. BRINAS
Acting Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

January 16, 1974

(MAAB No. 5)

For the information and guidance of authorized agent banks, there is quoted below a letter dated December 18, 1973 of the Acting Secretary of the Department of Trade:

*"Republic of the Philippines
Department of Trade
OFFICE OF THE SECRETARY
Quezon City*

December 18, 1973

*Governor Gregorio Licaros
Central Bank of the Philippines
Roxas Blvd., Manila*

Dear Governor Licaros:

In connection with the forthcoming exports to the People's Republic of China as a result of the recent visit of the Peking Trade Mission in the country, we wish to remind your good Office that, pursuant to Executive Order No. 384, series of 1972, and the Guidelines for Processing of Applications to Trade with Socialist and Communist Countries, copies of which are attached hereto, prior authority or clearance shall be secured from the Department of Trade before Philippine exporters are allowed to negotiate export sales.

Philippine exporters should accomplish and file CST Form I, copy attached, together with the purchase orders or contracts with this Department.

Very truly yours,

(SGD.) TROADIO T. QUIAZON, JR.
Acting Secretary"

Authorized agent banks are requested to transmit the contents of the above-quoted letter of the Acting Secretary of Trade to their exporter-clients.

In this connection, the attention of authorized agent banks is invited to the provisions of Memorandum to Authorized Agent Banks dated April 28, 1972, on the same matter.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS
January 24, 1974
(MAAB No. 6)

For purposes of assuring that import shipments destined to the Bataan Export Processing Zone actually proceed to and are received by the said Zone, and in order to expedite release of said import shipments from Customs' custody, release certificates for such shipments shall henceforth be issued to the Export Processing Zone Authority (EPZA), copy furnished Bureau of Customs.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS
January 24, 1974
(MAAB No. 7)

Effective immediately, all importations by industries registered with the Export Processing Zone Authority (EPZA) and destined for shipment to the Bataan Export Processing Zone, shall, in addition to other documents required under existing regulations, be accompanied by a certification bearing the seal of EPZA and signed by its Administrator or his duly authorized representatives whose specimen signatures are herewith attached, to the effect that the items sought to be imported are for the exclusive and direct end-use of the applicant firm as a Zone exporter. This certification shall be presented

to authorized agent banks before the opening of the L/C, or the issuance of the release certificate in the case of importations under D/A or O/A arrangements.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS
January 25, 1974
(MAAB No. 8)

There is quoted below a letter dated January 3, 1974, of the Acting Director, Bureau of Forest Development, addressed to the Governor, Central Bank of the Philippines, which is self-explanatory:

*"Republic of the Philippines
Department of Agriculture and Natural Resources
BUREAU OF FOREST DEVELOPMENT
Diliman, Quezon City*

January 3, 1974

*The Honorable Governor
Central Bank of the Philippines
M a n i l a*

S i r:

I have the honor to inform you that the Bureau of Forest Development has as a part of its program on the conservation of the country's wildlife resources the control of flow of wildlife from the Philippines to other countries.

Please be informed that the taking, hunting, collecting, possessing, exchanging, selling or exporting wildlife is subject to existing wildlife regulations.

In this connection, may we request your kind cooperation by way of advising applicants securing export permits for wildlife from your office either dead or live or parts thereof to secure a permit to collect wildlife from the Director, Bureau of Forest Development, Diliman, Quezon City.

For the conservation of one of the country's renewable natural resources, we hope you will be with us.

Very truly yours,

(Sgd.) JOSE VIADO
Acting Director"

Authorized Agent Banks are requested to transmit the contents of the above-quoted letter of the Acting Director, Bureau of Forest Development, to all their exporter-clients for their information and guidance.

(SGD.) G. S. LICAROS
Governor

-0-

MEMORANDUM TO AUTHORIZED AGENT BANKS
January 31, 1974
(MAAB No. 12)

Effective immediately and until otherwise revoked, the importation of importable books and other supplementary readers valued not in excess of \$500.00 per order shall be allowed without requiring the opening of a letter of credit provided the importers thereof are bookstores duly registered with the Central Bank.

As soon as a qualified bookstore-importer is properly registered and upon presentation of a purchase order, copy of which shall be retained by the agent bank, said qualified importer may apply for remittance in payment of the merchandise by bank draft or similar instrument payable to the foreign supplier. Release certificates shall be issued upon arrival of the merchandise as in the case of regular importations.

Accordingly, agent banks are hereby instructed to submit for registration to the Central Bank, thru the Current Imports and Commodity Classification Office, the names of their qualified bookstore-clients as well as certified copies of the following supporting documents pertaining to said clients:

1. Incorporation and registration papers with the Securities and Exchange Commission;
2. Municipal/City Mayor's permit for 1973 and 1974;
3. BIR Tax C-13 and C-14;
4. Latest audited financial statements;
5. Certification/s of credit standing.

The provisions of existing regulations inconsistent with the foregoing are hereby modified.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

January 31, 1974

(MAAB No. 13)

In furtherance of the objectives of R.A. 6142, as amended by Presidential Decrees No. 81 and 150, series of 1972 and 1973, respectively, and Central Bank Circular No. 315 issued pursuant thereto, your attention is hereby drawn to Letter of Instructions No. 158 of the President of the Philippines, reproduced in full below:

MALACAÑANG

Manila

LETTER OF INSTRUCTIONS NO. 158

*TO: All Heads of Departments, Offices and
Agencies of the Government*

In view of the necessity of effecting a rational and well-coordinated government borrowing strategy and thereby ensure that such borrowings, aside from meeting valid requirements of government borrowers concerned, can be a positive instrument in further enhancing the country's credit standing and credibility abroad, in strengthening the government negotiating posture and in maintaining the integrity of the fiscal commitments of the Government and the country's international reserves, it is hereby ordered that:

1. *All foreign borrowing proposals of the Government, Government Agencies and government financial institutions shall be submitted to the Central Bank for approval in principle by the Monetary Board as to purpose and credit terms among others, before commencement of actual negotiations.*

2. *Actual negotiations for such foreign credits and/or accommodations shall be conducted by the Secretary of Finance and/or Central Bank Governor or their duly authorized representatives as chief or co-chief negotiators, together with the representatives of the Government, government agencies and government financial institutions or entities concerned.*

The Secretary of Finance and the Governor of the Central Bank are hereby directed to coordinate in promulgating the implementing rules and regulations as are necessary to give effect to this Letter of Instructions.

Done in the City of Manila this 21st day of January, in the year of our Lord, nineteen hundred and seventy-four.

(SGD.) FERDINAND E. MARCOS

President

Republic of the Philippines

Please be guided accordingly.

(SGD.) G. S. LICAROS

Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

February 20, 1974

MAAB No. 19

Effective immediately, Authorized Agent Banks in Greater Manila may issue release certificates covering goods intended for discharge and clearance in any port other than Manila even before the payment of the corresponding Customs duties, taxes and other levies due thereon provided:

1. no discrepancies are noted in the relative shipping documents; and
2. the release certificate to be issued therefor are stamped "Customs Duties, Taxes and Other Levies to be Paid to the Collector of Customs, Port of (Entry)".

Conversely, Authorized Agent Banks other than those based in the Greater Manila Area may issue release certificates for goods destined for discharge and entry in the Port of Manila provided the aforesaid conditions are complied with.

This amends our MAAB dated February 19, 1971.

(SGD.) AMADO R. BRINAS

Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

February 22, 1974

MAAB No. 22

The provision of Item No. 3 of Circular No. 295 dated March 20, 1970, as amended by Memorandum to Authorized Agent Banks dated September 28, 1970, is hereby further amended so as to read as follows:

- "3. In cases of shipments the quantities and/or amounts of which are in excess of what are authorized in the covering letter of credit, the excess shall be considered as a no-dollar import and shall be governed by Circular No. 295 dated March 20, 1970: Provided, however, that if such excess represents additional freight, insurance and other forwarding charges related thereto involving not more than \$500.00, authorized agent banks may settle said excess and issue a release certificate therefor; provided, further, that appropriate reports in each case shall be submitted to the Director, Department of Commercial and Savings Banks, giving such information as letter of credit number, name of beneficiary, name of importer, amount of excess and cause(s) thereof".

Please be guided accordingly.

(SGD.) G. S. LICAROS

Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

February 25, 1974

(MAAB No. 23)

For the information and guidance of Authorized Agent Banks and their exporter-clients, there are quoted below Executive Order No. 425 of the President of the Philippines IMPOSING PREMIUM DUTY ON CERTAIN EXPORT PRODUCTS IN ADDITION TO EXPORT TARIFFS PROVIDED FOR UNDER REPUBLIC ACT NO. 1937, OTHERWISE KNOWN AS THE "TARIFF AND CUSTOMS CODE", AS AMENDED BY PRESIDENTIAL DECREE NO. 230, and Customs Memorandum Order No. 21-74 dated February 18, 1974, of the Commissioner of Customs on the subject of assessment and collection of premium duty:

MALACAÑANG

Manila

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 425

IMPOSING PREMIUM DUTY ON CERTAIN EXPORT PRODUCTS IN ADDITION TO EXPORT TARIFFS PROVIDED FOR UNDER REPUBLIC ACT NO. 1937, OTHERWISE KNOWN AS THE "TARIFF AND CUSTOMS CODE", AS AMENDED BY PRESIDENTIAL DECREE NO. 230.

Pursuant to the powers vested in me by Section 515 of Republic Act No. 1937, as amended by Presidential Decree No. 230, I, FERDINAND E. MARCOS, President of the Philippines, do hereby direct and order that:

SECTION 1.

In addition to the export duties, herein referred to as basic rate, levied under Section 514, Title III, Book I of R.A. No. 1937, as amended by P.D. No. 230, there shall be levied, assessed and collected a premium duty on the difference between the current price as established by the Bureau of Customs and the base price of the products as established in Section II hereof in accordance with the following schedule:

Export Products

Premium Duty

WOOD PRODUCTS

(1) Logs, including poles	30%
(2) Lumber	20%
(3) Veneer, face and core	20%
(4) Plywood	20%

MINERAL PRODUCTS

(1) Metallic ores and concentrates	
(a) Copper	30%

- | | |
|---------------------|-----|
| (b) Iron | 20% |
| (c) Chromite | 20% |
| (2) Non-metallic | |
| (a) Clinker, cement | 20% |
| (b) Portland cement | 20% |

PLANT AND VEGETABLE PRODUCTS

- | | |
|------------------------------|-----|
| (1) Coconut | |
| (a) Copra | 30% |
| (b) Desiccated coconut | 20% |
| (c) Copra meal or cake | 20% |
| (d) Coconut oil | 20% |
| (2) Sugar and sugar products | |
| (a) Centrifugal sugar | 20% |
| (b) Molasses | 20% |

Should the current price of any export product be below the established base price, then only the basic rate prescribed under P.D. No. 230 shall be applied.

SECTION 2. Initially, the base prices upon which the premium duty shall be levied shall be eighty per centum (80%) of the F.O.B. value of the exports established by the Bureau of Customs for February, 1974. The National Economic and Development Authority shall, from time to time, review and establish such base prices taking into account, among others, the cost conditions in the various industries.

SECTION 3. This Order shall take effect immediately.

Done in the City of Manila, this 16th day of February, in the year of our Lord, nineteen hundred and seventy-four,

FERDINAND E. MARCOS

President

Republic of the Philippines

By the President:

(Sgd.) **ALEJANDRO MELCHOR**
Executive Secretary

- 0 -

*"Republika ng Pilipinas
Kagawaran ng Pananalapi
KAWANIHAN NG ADUANA
Maynila*

February 18, 1974

CUSTOMS MEMORANDUM ORDER
NO. 21-74

TO : All Collectors of Customs

[241]

*Export Coordination Department
All Others Concerned*

SUBJECT: Assessment and Collection of Premium Duty

1. To the basic Export Duty provided under Presidential Decree No. 230 promulgated on June 28, 1973 and implemented under Customs Administrative Order No. 8-73 dated June 28, 1973, there shall be assessed and collected on all exports listed in Executive Order No. 425 dated February 16, 1974 a Premium Duty pursuant to the schedule provided in Section 1 thereof.

2. The Order of Payment now being issued shall contain a separate item for Premium Duty when such duty is collectible.

3. All exports listed in Executive Order No. 425 departing from Philippine territorial jurisdiction after midnight of February 16, 1974 shall be subject to Premium Duty.

4. Until further orders, assessment and collection of Premium Duty under Executive Order No. 425 shall be referred to the Export Coordination Department.

(SGD.)
ROLANDO G. GEOTINA
Commissioner of Customs"

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS
March 27, 1974
MAAB No. 35

Effective immediately, all applications for the importation of the following categories of imports;

<u>Code No.</u>	<u>Commodity Description</u>
SEP 732-07-01	CKD motorcycles
NEP 732-07-00	Motorcycle frame group parts
EP 699-29-02	Motorcycle chains
EP 711-09-03	Motorcycle engine parts
EP 711-05-19	Motorcycle engines (CBU)

as listed in the Revised Central Bank Commodity Classification Manual, either thru letters of credit, D/A or open account arrangements, or any other mode of payment, shall, regardless of amount, be referred to the Central Bank, thru the Management of External Debt and Investment Accounts Department, for appropriate action.

In this connection, your attention is drawn to the following provisions of MAAB No. 20 dated February 20, 1974 (amending MAAB dated June 19, 1970);

"x x x to require importers to submit together with the application to open a letter of credit the relative firm offer containing x x x (b) complete description/specification of commodity including the specific purpose or end-use thereof, particularly in cases where use of a "brand name" is involved; likewise, and whenever practicable, the same should be accompanied by a brochure or other literature pertaining thereto."

This supersedes MAABs Nos. 41 and 17 dated October 30, 1972, and February 16, 1973, respectively.

Strict compliance herewith is enjoined.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS
March 29, 1974
(MAAB No. 37)

In the implementation of Presidential Decree No. 370, dated January 9, 1974, providing for tax amnesty for those who have failed to declare under Presidential Decree No. 23, please be advised that the Bureau of Internal Revenue will assign a "File Number" to a taxpayer when he files a return. This number will be indicated in the Tax Payment Acceptance Order (TPAO) in lieu of taxpayer's name and address to insure the confidential nature of the returns filed.

Accordingly, authorized agent banks are requested to indicate said File Number in the Official Receipt, as shown in the TPAO, and the words "TAX AMNESTY" in any part of the receipt. For your information, the Tax Code Number is 11-0000.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS
April 15, 1974
(MAAB No. 39)

Implementation of Letter Of Instructions No. 167 dated February 25, 1974, of the President of the Philippines, directing the adoption of a simplified export procedure for enterprises registered with the Export Processing Zone Authority under Presidential Decree No. 66, the following simplified

procedure is hereby prescribed covering exports of enterprises registered with the Export Processing Zone Authority of products produced by them in the Bataan Export Processing Zone:

1. Authorized agent banks may accept from enterprises registered with the Export Processing Zone Authority under Presidential Decree No. 66 Applications for Export Permits under CBP Form No. 6-21-19 (EPZA No. 8103), for the exportation of exportable products produced by said enterprises in the Bataan Export Processing Zone. The said registered zone enterprises are not required to submit Reports of Foreign Sales on Form CBP-ED-AAB-1 (Revised) covering their exports of goods products by them in the Bataan Export Processing Zone.
2. Each application for Export Permit on CBP Form No. 6-21-19 (EPZA 8103) shall be fully accomplished in eight (8) copies, signed by the authorized officer of the applicant registered zone enterprise and accompanied by two (2) signed or certified true copies of the pertinent contract of sale of the goods to be exported executed by and between the applicant registered zone enterprise and the foreign buyer. In lieu of signed or certified true copies of the contract of sale, copies in duplicate of the confirmed purchase order or of the cable offer and acceptance exchanged between the registered zone enterprise and the foreign buyer may be submitted.
3. The authorized agent bank concerned may approve on behalf of the Central Bank the Application for Export Permit, provided the following are fulfilled:
 - (a) The Application for Export Permit is endorsed on the reverse side thereof by the Export Processing Zone Authority authorizing the applicant registered zone enterprise to take out of the Bataan Export Processing Zone the goods declared in the Application for Export Permit;
 - (b) The Application for Export Permit is accomplished in every particular and is accompanied by copies of the relative contract of sale or confirmed purchase order or cable offer and acceptance;
 - (c) The price, terms and conditions of sale are correctly declared in the Application for Export Permit; and
 - (d) The manner and currency of payment and the repatriation in instruments of international exchange of the full value of the export shipment conform to the requirements of the Central Bank on the matter.
4. Each Application for Export Permit under CBP Form No. 6-21-19 (EPZA 8103) approved by an authorized agent bank shall cover only one export shipment and shall be numbered consecutively starting with Number 0001 followed by the letters "EPZA" for

each authorized agent bank. The Export Permit, unless otherwise authorized by the Central Bank, shall have an expiry date which shall not be beyond the shipment date provided in the pertinent letter of credit, if any, or fifteen (15) days from date of approval of the Export Permit, whichever is earlier. For good reasons, the authorized agent bank concerned may, upon written request of the exporter, extend the expiry date of the Export Permit for not more than fifteen (15) days but not beyond the shipment date stipulated in the covering letter of credit.

5. Applications for Export Permits on CBP Form No. 6-21-19 (EPZA 8103) which may not be approved by authorized agent banks under the foregoing authority shall be forwarded to the Central Bank Export Department for action.
6. Upon approval by an authorized agent bank of the Export Permit, the original and a copy thereof shall be forwarded by the authorized agent bank directly to the Export Coordinating Department, Bureau of Customs, and a copy furnished the exporter, shipping agent and the Export Processing Zone Authority. The authorized agent bank shall retain a copy for its file. The duplicate and triplicate of the Export Permit shall be forwarded to the Central Bank Export Department as hereinbelow indicated:
 - (a) The exporter shall present to the authorized agent bank for negotiation or collection the shipping and other documents covering the shipment within seven days from date of completion of loading.
 - (b) The authorized agent bank shall submit to the Central Bank Export Department, not later than 2:00 P.M. of the next business day following the date of transaction the duplicate of the negotiated Export Permit, duly endorsed at the back thereof as required, accompanied by the copy of the pertinent contract of sale or purchase order or cable offer and acceptance, and by copies of the shipping and other documents needed for negotiation or collection. The transaction shall be reported in the agent bank's Daily Report of Export Negotiations (Form CBP-ED 1) for the day.
 - (c) Not later than 2:00 P.M. of the next business day following the date of receipt of payment for the shipment, the authorized agent bank concerned shall submit to the Central Bank Export Department the triplicate of the Export Permit duly endorsed as required, stating the amount and date of receipt of the foreign exchange payment for the shipment. The transaction shall be reported in the agent bank's Daily Report of

Export Payments (CBP-ED 2 Revised May 1971) for the day.

7. The Memorandum shall take effect immediately.

FOR THE MONETARY BOARD

BY:

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

April 18, 1974
(MAAB No. 41)

Effective immediately, Memorandum to Authorized Agent Banks dated November 22, 1973 requiring authorized agent banks to submit to the Central Bank copies of certain import documents evidencing shipments of imported goods from Japan in connection with the \$38 million Japanese Commodity Loan to the Philippine Government, shall be considered revoked and of no further force and effect.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

April 19, 1974
(MAAB No. 43)

As requested by the Bureau of Internal Revenue, authorized Agent Banks are hereby informed that payment of tax amnesty now falls under Tax Numeric Code 11-0500 and NOT 11-0000, as mentioned under CB MAAB No. 77, dated December 20, 1972.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

April 22, 1974
(MAAB No. 46)

As requested by the Bureau of Internal Revenue, Authorized Agent Banks are requested to stay open until 10:00 P.M. on April 24, 1974, extended last day for filing income tax returns, and on July 15, 1974, last day for payment of the second installment of income taxes, to accommodate taxpayers beating said deadlines.

Accordingly, for the purpose of facilitating filing of tax returns and payment of corresponding taxes, the period during which an authorized deputy of the Commissioner of Internal Revenue shall be stationed in agent banks and their branches in the areas covered under the arrangements in Circulars Nos. 296, 314 and 336, is hereby extended to April 24, 1974.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

May 8, 1974
(MAAB No. 51)

Effective immediately, authorized agent banks may enter into repurchase agreements with the Central Bank on their holdings of 9% Central Bank Stabilization Certificates of Indebtedness (CBCI's), Series E-1, AA and BB, maturing on November 16, 1976, December 16, 1976, and February 16, 1979, respectively, under such terms and conditions as may be stipulated therein.

Accordingly, authorized agent banks may file their R/P applications with the Securities Servicing Department.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

May 14, 1974
(MAAB No. 53)

We wish to advise you that the Central Bank of the Philippines has established a Regional Clearing Unit in Dagupan City at the second floor of the Peoples Bank & Trust Company Building, Torres Bugallon Ave., Dagupan City.

Beginning May 15, 1974, exchange of clearing items among branches of commercial banks in Dagupan City will be conducted at 5:00 P.M. in the premises of the Dagupan Regional Clearing Unit and shall be governed by the rules and regulations embodied in Central Bank Circular No. 317 dated December 23, 1970.

Simultaneously, "On Dagupan" checks and "On Manila" checks may be presented for clearing through the Manila Clearing Office and the Dagupan Regional Clearing Unit, respectively, in accordance with the following time schedule and procedure:

IN MANILA

5:00 P.M. — Manila banks deliver "On Dagupan" checks, and also the

returned "On Manila" checks picked up at 5:00 P.M. of the previous day.

Manila banks pick up "On Manila" checks, and also the returned "On Dagupan" checks delivered at 5:00 P.M. at Dagupan City the previous day.

IN DAGUPAN CITY

5:00 P.M. — Dagupan banks deliver "On Manila checks, and also the returned "On Dagupan" checks picked up at 5:00 P.M. of the previous day.

— Dagupan banks pick up "On Dagupan" checks, and also the returned "On Manila" checks delivered at 5:00 P.M. at Manila the previous day.

If not returned on schedule, it is understood that "On Dagupan" checks delivered to the Manila Clearing Office at 5:00 P.M. will be considered "good" in Manila after 5:00 P.M. on the third business day following the date of delivery to the Manila Clearing Office, while "On Manila" checks delivered at the Dagupan Regional Clearing Unit at 5:00 P.M. will be considered "good" in Dagupan City after 5:00 P.M. on the third business day after date of delivery to the Dagupan Regional Clearing Unit.

ITEMS FOR CLEARING

Items for clearing shall consist of checks and documents payable on demand and drawn against banks in Manila and its suburbs (Quezon City, Pasay City, Caloocan City, San Juan, Mandaluyong, Makati, Parañaque, Navotas and Malabon) on one hand and banks in Dagupan City on the other.

SETTLEMENT OF BALANCES

Clearing balances of participating banks in Dagupan City shall be debited or credited, as the case may be, to the clearing accounts of their respective head offices in Manila on the afternoon of the same day.

MISCELLANEOUS

Out-of-town checks shall be contained in a special brown envelope measuring 7" x 11" with the destination "TO DAGUPAN" or "TO MANILA", as the case may be, properly stamped in bold letters of not less than one (1) inch at its lower portion and a 3" triangle on the upper right hand corner colored chocolate brown.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

May 14, 1974

(MAAB No. 54)

We wish to advise you that the Central Bank of the Philippines has established a Regional Clearing Unit in Naga City at the sixth floor of the Philippine National Bank (PNB) Building, Gen. Luna St., Naga City.

Beginning May 17, 1974, exchange of clearing items among branches of commercial banks in Naga city will be conducted at 5:00P.M. in the premises of the Naga Regional Clearing Unit and shall be governed by the rules and regulations embodied in Central Bank Circular No. 317 dated December 23, 1970.

Simultaneously, "On Naga" Checks and "On Manila" checks may be presented for clearing through the Manila Clearing Office and the Naga Regional Clearing Unit, respectively, in accordance with the following time schedule and procedure:

IN MANILA

5:00 P.M. — Manila banks deliver "On Naga" checks, and also the returned "On Manila" checks picked up at 5:00 P.M. of the previous day.

—Manila banks pick up "On Manila" checks, and also the returned "On Naga" checks delivered at 5:00 P.M. at Naga City the previous day.

IN NAGA CITY

5:00 P.M. — Naga banks deliver "On Manila" checks, and also the returned "On Naga" checks picked up at 5:00 P.M. of the previous day.

— Naga banks pick up "On Naga" checks, and also the returned "On Manila" checks delivered at 5:00 P.M. at Manila the previous day.

If not returned on schedule, it is understood that "On Naga" checks delivered to the Manila Clearing Office at 5:00 P.M. will be considered "good" in Manila after 5:00 P.M. on the third business day following the delivered on the Naga Regional Clearing Unit at 5:00 P.M. will be considered "good" in Naga City after 5:00 P.M. on the third business day after date of delivery to the Naga Regional Clearing Unit.

ITEMS FOR CLEARING

Items for clearing shall consist of checks and documents payable on demand and drawn against banks in Manila and its suburbs (Quezon City, Pasay City, Caloocan City, San Juan, Mandaluyong, Makati, Paranaque, Navotas and Malabon) on one hand and banks in Naga City on the other.

SETTLEMENT OF BALANCES

Clearing balances of participating banks in Naga City shall be debited or credited, as the case may be, to the clearing accounts of their respective head offices in Manila or the afternoon on the same day.

MISCELLANEOUS

Out-of-town checks shall be contained in a special brown envelope measuring 7" x 11" with the destination "TO NAGA" or "TO MANILA", as the case may be, properly stamped in bold letters of not less than one (1) inch at its lower portion and a 3" triangle on the upper right right hand corner colored pink.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS May 14, 1974 (MAAB No. 55)

We wish to advise you that the Central Bank of the Philippines has established a Regional Clearing Unit in Angeles City at the ground floor of the Rizal Theater Building, Rizal St., Angeles City.

Beginning May 22, 1974, exchange of clearing items among branches of commercial banks in Angeles City and San Fernando, Pampanga will be conducted at 5:00 P.M. in the premises of the Angeles Regional Clearing Unit and shall be governed by the rules and regulations embodied in Central Bank Circular No. 317 dated December 23, 1970.

Simultaneously, "On Angeles" checks and "On Manila" checks may be presented for clearing through the Manila Clearing Office and the Angeles Regional Clearing Unit, respectively, in accordance with the following time schedule and procedure:

IN MANILA

- 5:00 P.M. — Manila banks deliver "On Angeles" checks, and also the returned "On Manila" checks picked up at 5:00 P.M. of the previous day.
- Manila banks pick up "On Manila" checks, and also the returned "On Angeles" checks delivered at 5:00 P.M. at Angeles City the previous day.

IN ANGELES CITY

- 5:00 P.M. — Angeles banks deliver "On Manila" checks, and also the returned "On Angeles" checks picked up at 5:00 P.M. of the previous day.
- Angeles banks pick up "On Angeles" checks, and also

the returned "On Manila" checks delivered at 5:00 P.M. at Manila the previous day.

If not returned on schedule, it is understood that "On Angeles" checks delivered to the Manila Clearing Office at 5:00 P.M. will be considered "good" in Manila after 5:00 P.M. on the third business day following the date of delivery to the Manila Clearing Office, while "On Manila" checks delivered at the Angeles Regional Clearing Unit at 5:00 P.M. will be considered "good" in Angeles City after 5:00 P.M. on the third business day after date of delivery to the Angeles Regional Clearing Unit.

ITEMS FOR CLEARING

Items for clearing shall consist of checks and documents payable on demand and drawn against banks in Manila and its suburbs (Quezon City, Pasay City, Caloocan City, San Juan, Mandaluyong, Makati, Parañaque, Navotas and Malabon) on one hand and banks in Angeles City and San Fernando, Pampanga on the other.

SETTLEMENT OF BALANCES

Clearing balances of participating banks in Angeles City shall be debited or credited, as the case may be, to the clearing accounts of their respective head offices in Manila on the afternoon of the same day.

MISCELLANEOUS

Out-of-town checks shall be contained in a special brown envelope measuring 7" x 11" with the destination "TO ANGELES" or "TO MANILA", as the case may be, properly stamped in bold letters of not less than one (1) inch at its lower portion and a 3" triangle on the upper right hand corner colored orange.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS May 28, 1974 (MAAB No. 59)

Until further advice, authorized agent banks are requested to refer to the Central Bank Export Department all Reports of Foreign Sales covering exports of logs for verification before they are registered by the authorized agent bank concerned.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

June 19, 1974

(MAAB No. 62)

We wish to advise you that the Central Bank of the Philippines has established a Regional Clearing Unit in Zamboanga City at the ground floor of the Hotel Sultana Building, Pilar St., Zamboanga City.

Beginning June 27, 1974, exchange of clearing items among branches of commercial banks in Zamboanga City will be conducted at 5:00 P.M. in the premises of the Zamboanga Regional Clearing Unit and shall be governed by the rules and regulations embodied in Central Bank Circular No. 317 dated December 23, 1970.

Simultaneously, "On Zamboanga" checks and "On Manila" checks may be presented for clearing through the Manila Clearing Office and the Zamboanga Regional Clearing Unit, respectively, in accordance with the following time schedule and procedure:

IN MANILA

5:00 P.M. — Manila banks deliver "On Zamboanga" checks, and also the returned "On Manila" checks picked up at 5:00 P.M. of the previous day.

— Manila banks pick up "On Manila" checks, and also the returned "On Zamboanga" checks delivered at 5:00 P.M. at Zamboanga City the previous day.

IN ZAMBOANGA CITY

5:00 P.M. — Zamboanga banks deliver "On Manila" checks, and also the returned "On Zamboanga" checks picked up at 5:00 P.M. of the previous day.

— Zamboanga banks pick up "On Zamboanga" checks, and also the returned "On Manila" checks delivered at 5:00 P.M. at Manila the previous day.

If not returned on schedule, it is understood that "On Zamboanga" checks delivered to the Manila Clearing Office at 5:00 P.M. will be considered "good" in Manila after 5:00 P.M. on the third business day following the date of delivery to the Manila Clearing Office, while "On Manila" checks delivered at the Zamboanga Regional Clearing Unit at 5:00 P.M. will be considered "good" in Zamboanga City after 5:00 P.M. on the third business day after date of delivery to the Zamboanga Regional Clearing Unit.

ITEMS FOR CLEARING

Items for clearing shall consist of checks and documents payable on demand and drawn against banks in Manila and its suburbs (Quezon City, Pasay City, Caloocan City, San Juan, Mandaluyong, Makati, Parañaque, Navotas, and Malabon) on one hand and banks in Zamboanga City on the other.

SETTLEMENT OF BALANCES

Clearing balances of participating banks in Zamboanga City shall be debited or credited, as the case may be, to the clearing accounts of their respective head offices in Manila on the afternoon of the same day.

MISCELLANEOUS

Out-of-town checks shall be contained in a special brown envelope measuring 7" x 11" with the destination "TO ZAMBOANGA" or "TO MANILA", as the case may be, properly stamped in bold letters of not less than one (1) inch at its lower portion and a 3" triangle on the upper right hand corner colored gray.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

June 19, 1974
(MAAB No. 63)

We wish to advise you that the Central Bank of the Philippines has established a Regional Clearing Unit in Iloilo City at the second floor of the Pacific Banking Corporation Building, corner Iznart Street and De Leon Street, Iloilo City.

Beginning July 1, 1974, exchange of clearing items among branches of commercial banks in Iloilo City will be conducted at 5:00 P.M. in the premises of the Iloilo Regional Clearing Unit and shall be governed by the rules and regulations embodied in Central Bank Circular No. 317 dated December 23, 1970.

Simultaneously, "On Iloilo" checks and "On Manila" checks may be presented for clearing through the Manila Clearing Office and the Iloilo Regional Clearing Unit, respectively, in accordance with the following time and schedule and procedure:

IN MANILA

- 5:00 P.M. — Manila banks deliver "On Iloilo" checks, and also the returned "On Manila" checks picked up at 5:00 P.M. of the previous day.
- Manila banks pick up "On Manila" checks, and also the returned "On Iloilo" checks delivered at 5:00 P.M. at Iloilo City the previous day.

IN ILOILO CITY

- 5:00 P.M. — Iloilo banks deliver "On Manila" checks, and also the returned "On Iloilo" checks picked up at 5:00 P.M. of the previous day.

— Iloilo banks pick up "On Iloilo" checks, and also the returned "On Manila" checks delivered at 5:00 P.M. at Manila the previous day.

If not returned on schedule, it is understood that "On Iloilo" checks delivered to the Manila Clearing Office at 5:00 P.M. will be considered "good" in Manila after 5:00 P.M. on the third business day following the date of delivery to the Manila Clearing Office, while "On Manila" checks delivered at the Iloilo Regional Clearing Unit at 5:00 P.M. will be considered "good" in Iloilo City after 5:00 P.M. on the third business day after date of delivery to the Iloilo Regional Clearing Unit.

ITEMS FOR CLEARING

Items for clearing shall consist of checks and documents payable on demand and drawn against banks in Manila and its suburbs (Quezon City, Pasay City, Caloocan City, San Juan, Mandaluyong, Makati, Parañaque, Navotas and Malabon) on one hand and banks in Iloilo City on the other.

SETTLEMENT OF BALANCES

Clearing balances of participating banks in Iloilo City shall be debited or credited, as the case may be, to the clearing accounts of their respective head offices in Manila on the afternoon of the same day.

MISCELLANEOUS

Out-of-town checks shall be contained in a special brown envelope measuring 7" x 11" with the destination "TO ILOILO" or "TO MANILA", as the case may be, properly stamped in bold letters of not less than one (1) inch at its lower portion and a 3" triangle on the upper right hand corner colored violet.

(SGD.) AMADOR R. BRINAS
Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

June 19, 1974
(MAAB No. 64)

Circular Letter No. 51, series of 1973-74, dated June 18, 1974, of the Sugar Quota Administration is quoted hereunder, for the information and guidance of authorized agent banks and their exporter-clients:

***"Republika ng Pilipinas
Kagawaran ng Kalakalan at Industriya
(Department of Trade and Tourism)
PANGASIWAAN NG KOTA SA ASUKAL
(Sugar Quota Administration)
Kahon sa Koreo Bldg. 752, Maynila***

CIRCULAR LETTER NO. 51) **June 18, 1974**
Series of 1973-74

"Effective immediately, no export declaration against sales reports already filed or new sales reports covering export sugar shall be filed by any exporter with the Central Bank of the Philippines or any of its agent banks without prior clearance in writing from the Sugar Quota Administration.

"Likewise, no foreign sale of Philippine export sugar shall be effected by any party without prior clearance in writing from the Sugar Quota Administration.

(SGD.) JOSE A. UNSON
Administrator"

Authorized agent banks are enjoined not to issue any Export Declaration covering export sugar against any Report of Foreign Sales which may have been registered by them or register or give due course to any Report of Foreign Sales which may be presented to them covering export sugar, unless the applicant exporter shall submit the clearance in writing from the Sugar Quota Administration required in the above-quoted Circular. A signed copy of this written clearance shall be submitted to the Central Bank Export Department by the agent bank concerned as part of the documents required to support the pertinent duplicate Export Declaration and/or triplicate Report of Foreign Sales which authorized agent banks are required to submit to the said Department under existing regulations.

Authorized agent banks shall be guided accordingly.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
June 26, 1974
(MAAB No. 66)

Please be advised that CBCI interest coupons do not fall under the category of items for clearing as defined in Central Bank Circular No. 317, series

of 1970. All CBCI interest coupons should, therefore, be presented/forwarded to the Securities Servicing Department, Central Bank of the Philippines, for collection/settlement.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

June 27, 1974
(MAAB No. 69)

Effective immediately, and pursuant to Monetary Board Resolution No. 1289 dated June 21, 1974, all applications for the importation of used trucks in the light commercial vehicle category with gross vehicle weights of up to 2,000 kg. or 4,400 lb., either thru letters of credit, documents against acceptance (D/A), or open account (O/A) arrangements, or any other mode of payment, shall not be given due course.

This amends Memorandum to Authorized Agent Banks No. 36 dated March 19, 1973, as amended.

Strict compliance herewith is enjoined.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

July 5, 1974
(MAAB No. 73)

Effective immediately, agent banks are required to maintain a balanced foreign exchange position for every acceptable foreign currency other than the U.S. dollar. Agent banks, however, in the normal course of their foreign exchange operations, may at their option, run an oversold or overbought foreign exchange position in any of the acceptable foreign currencies but such position for each acceptable foreign currency on any given day shall not exceed the U.S. dollar equivalent of \$250,000, based on prevailing exchange rates. Over-the-counter purchases of other foreign currency notes not acceptable to form part of the international reserves, i.e., Singapore dollars, Hong-kong dollars, etc., may be made by an agent bank but the agent bank's overbought position in any of these foreign currencies shall not exceed the U.S. dollar equivalent of \$10,000 on any given day.

Attached is CBP Form FED-1, Table V, which agent banks shall accomplish at the end of each week for submission to the Foreign Exchange Department, Central Bank of the Philippines, the following Monday along

with the agent bank's Consolidated Daily Summary of FX Transactions (CBP-FED-1).

(SGD.) G. S. LICAROS
Governor

(CBP Form FED-1)
not reproduced

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MEMORANDUM TO AUTHORIZED AGENT BANKS
July 9, 1974
(MAAB No. 75)

For the information and guidance of authorized agent banks, there is quoted below a letter dated June 14, 1974, of the Acting Chairman, Export Processing Zone Authority, which is self-explanatory:

*" Republic of the Philippines
Office of the President
EXPORT PROCESSING ZONE AUTHORITY
Boston Street, Port Area
M a n i l a*

June 14, 1974

*"Central Bank of the Philippines
Manila*

"Sirs:

"This is to inform you that the following personnel of the Export Processing Zone Authority whose specimen signatures are herein attached are authorized to sign certain EPZA documents, as indicated:

"Mr. Ramon J. Sanchez, EOP Branch Head:

- 1. Approval of the Import Permit (EPZA Form No. 8101), for and in behalf of Mr. Antonio S. Macalinao.*
- 2. 'Certificate of Clearance to import Goods into the Bataan Export Processing Zone', for and in behalf of Mr. Antonio S. Macalinao.*
- 3. 'Certificate of End-Use of Banned Items to be imported into the Bataan Export Processing Zone , for and in be-*

half of Mr. Antonio S. Macalinao.

4. *Authorization to bring out of the Zone goods for export - CBP Form No. 6-21-19 (EPZA No. 8103), for and in behalf of Mr. Antonio S. Macalinao.*

"Mr. Manuel S. Lineses, Chief, Import-Export-Division:

1. *Certificate of Clearance to Import Goods into the Bataan Export Processing Zone, for and in behalf of Mr. Antonio S. Macalinao.*
2. *Certificate of End-Use of Banned Items to be Imported into the Bataan Export Processing Zone, for and in behalf of Mr. Antonio S. Macalinao.*
3. *Authorization to bring out of the Zone goods for export - CBP Form No. 6-21-19 (EPZA No. 8103).*

"It is hoped that this matter would be communicated at the earliest possible time to authorized agent banks for their guidance.

"We appreciate your support and assistance to the export processing zone project.

Very truly yours,

*(SGD.) TEODORO Q. PEÑA
Acting Chairman*

*"Attached: Specimen Signatures
of Messrs. Sanchez
and Lineses"*

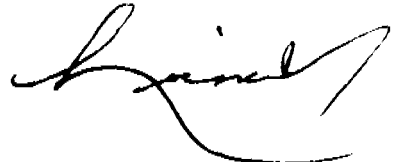
Effective immediately.

*(SGD.) G. S. LICAROS
Governor*

*Specimen signature of Mr. Ramon J. Sanchez,
EOD Branch Head:*



*Specimen signature of Mr. Manuel S. Lineses,
Chief, Import-Export Division:*



I hereby certify that the signatures appearing above are the true signatures of the persons concerned.

(SGD.) ANTONIO S. MACALINAO
Director for Operations

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MEMORANDUM TO AUTHORIZED AGENT BANKS

July 9, 1974
(MAAB No. 76)

Effective immediately, applications for the purchase of foreign exchange for travel abroad shall be processed, approved or otherwise acted upon by Agent Banks in accordance with Memorandum to Authorized Agent Banks dated February 21, 1970 entitled "Regulations Governing the Sale of Foreign Exchange for Certain Current Invisible Payments", without having to refer such applications to the Foreign Exchange Department of the Central Bank for appropriate action.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

July 23, 1974
(MAAB No. 79)

1. In connection with the DM 10 Million (US\$4.9 million) commodity loan extended by the Government of the Federal Republic of Germany to the Philippine Government, Authorized Agent Banks are hereby required to submit to the Central Bank two copies and/or certified true copies of the following documents evidencing importation from West Germany and payments thereof by the Agent Banks:

- a. Debit advice of the negotiating bank evidencing full payment of the commercial invoice, or in the absence thereof, a covering transmittal letter or collection advice of the negotiating bank addressed to the Philippine commercial bank, containing the certification stated in paragraph 4 below, for imports under L/C, D/A or O/A arrangement;
- b. Commercial invoice/s;
- c. Declaration/certification of the local authorized agent bank that the goods and/or services covered by the invoice have not been already financed from grants or other long-term loans;
- d. Bill of lading, freight bill, or airway bill; and
- e. Consular invoice and certificate of origin.

2. The above-listed documents are to be submitted for each import payment made after February 26, 1974.

3. Documents pertaining to payments for all importations from West Germany, with the sole exception of amortization and interest charges on imports under deferred payment arrangement with an original maturity period of not shorter than 5 years, are to be submitted. Documents covering down payment for such imports financed partly with suppliers credit are also to be submitted.

4. The payments for the importations are to be certified by the Manager of the bank's Foreign Department, or a responsible official specifically designated for this purpose, in the covering transmittal letter or collection advice of the West German negotiating bank (or in the commercial invoice in the case of imports under open account arrangements) in the following form:

"We hereby certify that the payment for this
importation was duly made on _____, 1974
in the amount of _____".

Signature

In the above certification, it is the date of actual payment or debit advice that should be indicated, whether the import is effected by L/C, D/A or open account arrangement. However, in case the import is covered by an L/C and the corresponding debit advice from your correspondent bank, evidencing actual payment, has not yet been received at the time the documents are submitted to the Central Bank, the date of payment shall be presumed to be fourteen (14) days after the date of the covering letter or collection advice of the negotiating West German bank, giving allowance for mail time.

5. The required documents pertaining to import transactions for any given week are to be submitted to the Management of External Debt and Investment Accounts Department of the Central Bank not later than Thursday of the succeeding week with the exception of the certificate of origin which may be submitted within 7 days of receipt thereof. In the case of transactions during the period February 27 to July 19, 1974, the documents are to be submitted not later than August 1, 1974.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

August 5, 1974

(MAAB No. 83)

Re: Importation of raw cotton and unmanufactured
tobacco under the CCC Export Credit Sales Program

Please be informed that the Monetary Board under its Resolution No. 1479 dated July 19, 1974 approved an additional credit line of \$25 million (No. 7) under the U.S. Commodity Credit Corporation (CCC) Export Credit Sales Program, for utilization up to June 30, 1975, to cover importations of raw cotton and unmanufactured tobacco in the amounts of \$20 million and \$5 million, respectively.

Pursuant to this resolution, effective immediately, no importation of raw cotton and unmanufactured tobacco shall be effected outside aforesaid CCC Credit Line before the same is fully utilized.

However, separate letters of credit may be opened for the cost of ocean transportation corresponding to importations of these commodities, without need for prior Central Bank approval.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

August 5, 1974
(MAAB No. 85)

For the information and guidance of authorized agent banks, there is attached hereto, marked as Annex "A", a letter dated July 23, 1974, of the Acting Chairman, Export Processing Zone Authority, addressed to the Central Bank of the Philippines, informing that Mr. Roberto P. Villa, Deputy Administrator for Operations, and Mr. Jose M. Vasquez, Acting Director, EOD, both of the Export Processing Zone Authority, are authorized to sign the EPZA documents listed in the letter relating to import and export of goods into/from the Bataan Export Processing Zone.

(SGD.) G. S. LICAROS
Governor

(Attachment)

July 23, 1974

Central Bank of the Philippines
Manila

Sirs:

This is to inform you that the following officials of the Export Processing Zone Authority whose signatures appear herein are authorized to sign EPZA documents, such as:

1. Approval of the Import Permit (EPZA No. 8101)

2. Certificate of Clearance to Import Goods into Bataan Export Processing Zone.
3. Certificate of End-Use of Banned Items to be Imported into the Bataan Export Processing Zone.
4. Authorization to bring out of the Zone goods for export — CBP Form No. 6-21-19 (EPZA No. 8103).

Mr. Roberto P. Villa, Deputy Administrator for Operations, will sign:

Roberto P. Villa

Mr. Jose M. Vasquez, Acting Director, EOD, will sign:

Jose M. Vasquez

It is hoped that this matter would be circularized at the earliest possible time to all authorized agent banks for their guidance, as an addition to our list of specimen signatures previously advised.

We appreciate your support and assistance to the export processing zone project.

Very truly yours,

(SGD.) TEODORO Q. PEÑA
Acting Chairman"

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MEMORANDUM TO AUTHORIZED AGENT BANKS

August 6, 1974
(MAAB No. 87)

For the information and guidance of authorized agent banks, NEDA RESOLUTION NO. 4 (s. 75) setting the floor prices at which domestic procurement of copra and coconut oil for export may be purchased from local producers, and the floor export prices of the same commodities, under certain guidelines, is quoted below.

**"NEDA RESOLUTION
NO. 4 (s. 75)**

**SETTING THE FLOOR PRICES AT WHICH DOMESTIC PROCUREMENT
OF COPRA AND COCONUT OIL FOR EXPORT MAY BE PURCHASED
FROM LOCAL PRODUCERS, AND THE FLOOR EXPORT PRICES OF
THE SAME COMMODITIES, UNDER CERTAIN GUIDELINES**

WHEREAS, the National Economic and Development Authority, motu proprio or upon recommendation of the Philippine Coconut Authority, has

been granted the power to fix the minimum prices that may be paid to coconut farmers for copra and other coconut products and by-products, as well as minimum export prices for the same commodities whenever the national interest so requires, and to issue rules and regulations in implementation thereof, pursuant to the provisions of Presidential Decree No. 527, dated August 2, 1974;

WHEREAS, the recent plummeting of both the domestic and export prices of copra, coconut oil and other coconut products and by-products is prejudicial to the welfare of coconut producers and adverse to the national interest; and

WHEREAS, it has become necessary and imperative that the Government take steps to protect its own people in particular and the national interest in general;

NOW, THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED, to APPROVE, as the same is hereby APPROVED, the following Rules and Regulations for the Domestic Procurement of Copra, Coconut Oil and Other Coconut Products and By-Products for Export and their Sale Abroad, to wit:

**RULES AND REGULATIONS FOR THE
DOMESTIC PROCUREMENT OF COPRA,
COCONUT OIL AND OTHER COCONUT
PRODUCTS AND BY-PRODUCTS FOR
EXPORT AND THEIR SALE ABROAD**

SECTION 1. *Exportation of coconut products will be allowed provided.*

- a. *The exporter submits a certification under oath that he has procured the copra at not less than P280.00 per 100 kilos, resicada, delivered warehouse or mill gate at the following places;*

COPRA

Manila
Iligan
Zamboanga
Cebu
Davao
Tacloban

COCONUT OIL

Legaspi
Tanauan
Jimenez
Cagayan de Oro
Cebu
Atimonan
Davao
Zamboanga
Iligan
Dumaguete

- b. *Export price will not be less than the floor export prices for copra and coconut oil as recommended by the Philippine Coconut Authority and approved by NEDA.*

- c. No floor price will be established for desiccated coconut, copra meal and other coconut products
- d. The floor domestic and export prices shall be subject to change as may be recommended by PCA and approved by NEDA.
- e. It is understood that the acceptance by the Central Bank of the foreign sales report for copra, coconut oil and other coconut products will still be subject to Central Bank regulations currently in force.

SECTION 2. The government invites industry to coordinate with government agencies concerned for a study to insure higher prices for the farmers. Such study may or may not result in the establishment of a market board or some other agencies that will be entrusted with regulation and control of exports as well as maximize foreign exchange earnings. This includes also the encouragement for the development of new products for exports out of coconut.

SECTION 3. The Philippine National Bank may involve itself in trading operation if necessary, in order to stabilize price of copra and coconut oil.

SECTION 4. As recommended by PCA and approved by NEDA, the floor prices for exports of copra and coconut oil effective 5:00 P.M. August 2, 1974 are as follows:

- a. Copra - \$590/MT FOB, Philippine Port
- b. Coconut Oil - \$0.45/Lb CIF, New York

SECTION 5. These floor prices, both domestic and export, shall not apply to copra procured or contracted for prior to 5:00 P.M. August 2, 1974.

SECTION 6. All exporters are required to submit to the Export Department, Central Bank copy furnished to the PCA, an inventory of contracts for the procurement of copra and coconut oil entered into prior to 5:00 P.M. August 2, 1974, indicating quantity, procurement price, place of loading, and date of procurement. Copies of contracts, if available, shall be submitted.

SECTION 7. Any person or entity who shall violate any provision of these Rules and Regulations shall be subject to the sanctions provided for under Section 5 of Presidential Decree No. 527, without prejudice to such other actions that the Government may take by reason of such violation.

SECTION 8. These Rules and Regulations shall take effect immediately.

UNANIMOUSLY APPROVED, NEDA Executive Committee, for and in behalf of the NEDA Board, August 2, 1974.

CERTIFIED CORRECT:

(SGD.) AGUSTIN J. DEBUQUE
Board Secretary

ATTESTED:

(SGD.) GERARDO P. SICAT
Director-General

Authorized agent banks are enjoined to transmit the contents of this MAAB to their exporter-clients.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS
August 8, 1974
(MAAB No. 88)

Effective immediately, Memorandum to Authorized Agent Banks (MAAB) No. 79 dated July 23, 1974 requiring authorized agent banks to submit to the Central Bank copies of certain import documents evidencing shipments of imported goods from West Germany in connection with the 10 Million Deutsche Mark German Commodity Loan to the Philippine Government, shall be considered revoked and of no further force and effect.

(SGD.) G. S. LICAROS
Governor

- 0 -

**MEMORANDUM TO AUTHORIZED AGENT BANKS
AND AUTHORIZED SECURITY DEALERS**
August 9, 1974
(MAAB No. 89)

(Regulations Governing Switching in Securities Transactions Authorized Under Circular 365)

The following regulations governing switching of foreign cash investments in CB-approved securities listed in the local stock exchanges, authorized under Central Bank Circular 365 as implemented by Memorandum to Authorized Agent Banks and Authorized Security Dealers dated March 26, 1973, are hereby promulgated:

1. Non-resident investors in CB-approved Philippine securities may engage in single or multiple stock switch transactions of their foreign cash investments which are duly registered under the provisions of Circular 365. Switch transactions may be done either thru the same authorized security dealer thru whom the investment was registered or thru other authorized security dealers.

2. The fifteen-day time limit prescribed in paragraph 4-b-2-ii of Central Bank Memorandum to All Authorized Agent Banks, Stock Brokers and Dealers and Stock Transfer Agents and Registrars dated December 26, 1969 shall not apply to the switch transactions contemplated in this Memorandum.
3. Pending the re-investment of the proceeds of sale of the registered investment, said peso proceeds shall, at the option of the foreign investor be lodged with the selling broker or in a "suspense account" (not a deposit account) with any authorized agent bank.
4. Authorized security dealers effecting any transaction relative to a registered investment shall accomplish the prescribed form for every purchase or every sale, as the case may be, for submission to the Foreign Exchange Department of the Central Bank not later than two (2) days after each transaction.
5. Provisions of existing regulations or authorizations inconsistent herewith are hereby repealed or modified accordingly.

This Memorandum shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS
August 27, 1974
(MAAB No. 93)

We wish to advise you that the Central Bank of the Philippines has established a Regional Clearing Unit in Cagayan de Oro City at the second floor of the Mosanti Building, corner J. R. Borja St. and Don Apolinar Velez St., Cagayan de Oro City.

Beginning September 6, 1974, exchange of clearing items among branches of commercial banks in Cagayan de Oro City will be conducted at 5:00 P.M. in the premises of the Cagayan de Oro Regional Clearing Unit and shall be governed by the rules and regulations embodied in Central Bank Circular No. 317 dated December 23, 1970.

Simultaneously, "On Cagayan de Oro" checks and "On Manila" checks may be presented for clearing through the Manila Clearing Office and the Cagayan de Oro Regional Clearing Unit, respectively, in accordance with the following time schedule and procedure;

IN MANILA

- 5:00 P.M. — Manila banks deliver "On Cagayan de Oro" checks, and also the returned "On Manila" checks picked up at 5:00 P.M. of the previous day.
- Manila banks pick up "On Manila" checks, and also the returned "On Cagayan de Oro" checks delivered at 5:00 P.M. at Cagayan de Oro City the previous day.

IN CAGAYAN DE ORO CITY

- 5:00 P.M. — Cagayan de Oro banks deliver "On Manila" checks, and also the returned "On Cagayan de Oro" checks delivered at 5:00 P.M. of the previous day.
- Cagayan de Oro banks pick up "On Cagayan de Oro" checks, and also the returned "On Manila" checks delivered at 5:00 P.M. at Manila the previous day.

If not returned on schedule, it is understood that "On Cagayan de Oro" checks delivered to the Manila Clearing Office at 5:00 P.M. will be considered "good" in Manila after 5:00 P.M. on the third business day following the date of delivery to the Manila Clearing Office, while "On Manila" checks delivered at the Cagayan de Oro Regional Clearing Unit at 5:00 P.M. will be considered "good" in Cagayan de Oro City after 5:00 P.M. on the third business day after date of delivery to the Cagayan de Oro Regional Clearing Unit.

ITEMS FOR CLEARING

Items for clearing shall consist of checks and documents payable on demand and drawn against banks in Manila and its suburbs (Quezon City, Pasay City, Caloocan City, San Juan, Mandaluyong, Makati, Parañaque, Navotas and Malabon) on one hand and banks in Cagayan de Oro City on the other.

SETTLEMENT OF BALANCES

Clearing balances of participating banks in Cagayan de Oro City shall be debited or credited, as the case may be, to the clearing accounts of their respective head offices in Manila on the afternoon of the same day.

MISCELLANEOUS

Out-of-town checks shall be contained in a special brown envelope measuring 7" x 11" with the destination "TO CAGAYAN DE ORO" or "TO MANILA", as the case may be, properly stamped in bold letters of not less than one (1) inch at its lower portion and a 3" triangle on the upper right hand corner colored white.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

September 2, 1974

(MAAB No. 95)

Re: Reporting System for Regular Import Letters of Credit (L/C's)

In order to accelerate the computerization of regular import letters of credit, authorized agent banks shall observe the following procedures for reporting regular import L/C's:

1. The term "regular import L/C's" shall include all L/C's with validity period of not more than one year.
2. At the end of every calendar month all regular import L/C's which expired on the first of the month or earlier shall be reversed in the books and considered cancelled except when a shipside bond is outstanding and documents have not been received. A monthly report of the regular import L/C's not cancelled shall be submitted to the Current Imports and Commodity Classification Office (CICCO) not later than the fifth working day after the end of the month using the form provided in Appendix A (Table 2.5 D).
3. A previously cancelled regular import L/C may be reinstated. Re-instatements shall be reported as new L/C's opened under either the original L/C number or a new number.
4. A new inventory of outstanding regular import L/C's as of end-September 1974 shall be submitted to the CICCO not later than October 15, 1974. The inventory list shall be prepared in accordance with item 2 above and the guidelines outlined in Appendix B.
5. The advance copy of the Schedule of Import Letters of Credit Transactions under the revised CBP 6-22-01 Table 2.5A and Table 2.5A and Table 2.5B (FED-1) shall continue to be submitted to the CICCO not later than 5:00 PM of the following transaction day. The report shall be prepared in accordance with the guidelines outlined in Appendix C.

Please be guided accordingly.

(SGD.) G.S. LICAROS
Governor

(Appendices & forms not reproduced)

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MEMORANDUM TO AUTHORIZED AGENT BANKS

October 7, 1974

(MAAB No. 102)

Memorandum to Authorized Agent Banks No. 54 dated May 14, 1974, is hereby amended to read as follows:

ITEMS FOR CLEARING

Items for clearing shall consist of checks and documents payable on demand and drawn against banks in Manila and its suburbs (Quezon City, Pasay City, Caloocan City, San Juan, Mandaluyong, Makati, Parañaque, Navotas, Malabon, Marikina and Pasig) on one hand and banks in Naga and Iriga on the other. It is understood that demand items drawn on Iriga banks shall be presented for clearing by their Naga branches/offices, if any.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

October 14, 1974
(MAAB No. 103)

Subject: Importations Under O/A and D/A Arrangements

Section No. 4 of MAAB dated January 17, 1973 is hereby amended to read as follows:

- "4. In cases where the credits fall due even while the commodities imported are still stored in bonded warehouses, payments therefor may be allowed under the following conditions:
- a. For commodities stored in private customs bonded warehouse, the Orders of Payment from the Bureau of Customs have been duly settled; or alternatively, an irrevocable domestic letter of credit opened for the amount of the taxes and duties due, issued in favor of the Bureau of Customs in lieu of a bond.
 - b. For commodities stored in a customs bonded manufacturing warehouse - proof of storage therein is presented.

The prescribed form - Record of Goods Imported Under O/A and D/A Arrangement shall be accomplished, and a copy of the domestic letter of credit or proof of storage in customs bonded manufacturing warehouse shall be submitted in lieu of the Release Certificate."

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

October 16, 1974
(MAAB No. 104)

For the information and guidance of authorized agent banks, Customs Tariff Circular No. 177-74 dated October 11, 1974, of the Commissioner of

Customs, implementing Executive Order No. 434 of the President of the Philippines dated October 2, 1974, temporarily lifting export duties and premium duties on wood products prescribed under Presidential Decree No. 230 and Executive Order No. 425, series of 1974, respectively, is quoted below:

*"Republic of the Philippines
Department of Finance
BUREAU OF CUSTOMS
Manila*

October 11, 1974

**CUSTOMS TARIFF CIRCULAR
NO. 177-74**

**Subject: Executive Order No. 434
Lifting Export Duties on
Wood Products Prescribed
under P. D. 230 and
Premium Duties by
Executive Order No. 425,
Series of 1974.**

**TO: ALL COLLECTORS OF CUSTOMS
HEADS OF DEPARTMENTS
CHIEFS OF DIVISIONS AND
ALL OTHERS CONCERNED**

There is hereunder quoted for your information, guidance, and/or implementation the text of Executive Order No. 434, as follows:

**MALACAÑANG
Manila**

EXECUTIVE ORDER NO. 434

**TEMPORARILY LIFTING THE PROVISIONS OF SECTION 514,
TITLE III, BOOK I OF REPUBLIC ACT NO. 1937, AS AMENDED
AND THOSE OF EXECUTIVE ORDER NO. 425, SERIES OF 1974,
WITH RESPECT TO WOOD PRODUCTS**

Pursuant to the powers vested in me by Section 515, entitled: 'Flexible Clause' of Republic Act No. 1937, as amended by Presidential Decree No. 230, I, FERDINAND E. MARCOS, President of the Philippines do hereby direct and order that:

SECTION 1. Any provision of law, decree, executive order, or rules and regulations to the contrary, notwithstanding, the provisions of Section 514, Title III Book I, of Republic Act No. 1937, as amended, fixing the basic rate of export duties and collecting the same from the F.O.B. value of wood products; as well as those of Executive Order No. 425, series of 1974, levying, assessing and collecting a premium duty on the difference between the current price and the base price of the same commodities, are hereby temporarily lifted: Provided, That said provisions may later on be restored by the President of the Philippines, as the circumstances may warrant, upon the recommendation of the National Economic and Development Authority.

SECTION 2. This order shall take effect and shall be implemented immediately.

Done in the City of Manila, this 2nd day of October, in the Year of Our Lord, nineteen hundred and seventy-four.

(Sgd.) **FERDINAND E. MARCOS**
President
Republic of the Philippines

By the President:

(Sgd.) **ROBERTO V. REYES**
Acting Executive Secretary

In view thereof, the export duties being levied on wood products under Section 514, Title III, Book I of the Tariff and Customs Code, pursuant to Presidential Decree No. 230, and the premium duties being imposed thereon pursuant to Executive Order No. 425, series of 1974, are hereby temporarily lifted effective October 2, 1974 which is the date of effectivity of Executive Order No. 434.

Accordingly, all shipments that have been loaded on board the exporting vessels, after midnight of October 1, 1974 shall no longer be subject to such export and/or premium duties.

(Sgd.) **ROLANDO G. GEOTINA**
Commissioner of Customs

Any request for clarification concerning the above-quoted Customs Tariff Circular No. 177-74 may be addressed directly to the Commissioner of Customs.

(SGD.) **AMADO R. BRINAS**
Senior Deputy Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

October 17, 1974

(MAAB No. 105)

Effective immediately, and pursuant to Monetary Board Resolution No. 2236 dated October 11, 1974, all applications for the importation of built-up trucks, whether used or brand-new, in the light commercial vehicle category with gross vehicle weights of up to 2,000 kg, or 4,400 lb., including those with payload capacities of up to two (2) metric tons, either thru letters of credit, documents against acceptance (D/A) or open account (O/A) arrangement, or any other mode of payment, shall not be given due course.

This amends Memorandum to Authorized Agent Banks No. 69 dated June 27, 1974.

Strict compliance herewith is enjoined.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

- 0 -

MEMORANDUM TO ALL AUTHORIZED AGENT BANKS

October 18, 1974

(MAAB No. 107)

As requested by the Bureau of Internal Revenue, Authorized Agent Banks are requested to place clearly and legibly the TAX CODE number in all Official Receipts issued as shown in the Tax Payment Acceptance Order (TPAO).

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

October 18, 1974

(MAAB No. 108)

With reference to the provisions of the Central Bank Memorandum to Authorized Agent Banks No. 12 dated January 31, 1974, allowing the importation of importable books and supplementary readers valued not in excess of \$500.00 per order without opening letters of credit, agent banks are hereby advised that effective immediately and unless otherwise revoked, the following rule shall also apply to said importations:

Registered Bookstore-Importer may be allowed to combine invoices of separate orders for importable books, each order not exceeding \$500.00, and to effect payment for the said orders through the re-

mittance of one bank draft only, even if the amount thereof exceeds \$500.00: Provided, however, that the privilege of effecting payment through such a draft in excess of \$500.00 may be availed of not oftener than once a week.

Please be guided accordingly.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
October 22, 1974
(MAAB No. 109)

In connection with unnumbered Memorandum to Authorized Agent Banks dated April 28, 1972, concerning Executive Order No. 384 dated March 11, 1972 entitled "PROMULGATING POLICY GUIDELINES AND TRADE WITH SOCIALIST AND COMMUNIST COUNTRIES", there is quoted hereunder the text of the letter dated August 27, 1974 of Hon. Troadio T. Quiazon, Jr., Secretary of the Department of Trade, for the information and guidance of all concerned:

"Sir:

We have received information that certain Philippine products were exported to Socialist and Communist countries without securing proper clearance from the Department of Trade pursuant to Executive Order No. 384, series of 1972. In this connection, we hereby request your good Office to circularize to all its agent banks regarding Executive Order No. 384 for their information and guidance.

Your preferential action on this request will be highly appreciated."

Authorized Agent Banks shall be guided accordingly.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS
October 22, 1974
(MAAB No. 111)

For the information and guidance of Authorized Agent Banks, there is quoted hereunder the text of General Circular No. 2, dated February 21, 1974, of the National Cottage Industries Development Authority:

*"Republic of the Philippines
Department of Trade*

*NATIONAL COTTAGE INDUSTRIES DEVELOPMENT AUTHORITY
M a n i l a*

February 21, 1974

*GENERAL CIRCULAR NO. 2
Series of 1974*

*SUBJECT: BAN ON THE EXPORTATION OF
CANTON FIBER*

Section 13 of Republic Act No. 3470 provides

"Section 13. - Notwithstanding any provision of law to the contrary, the export of any local raw materials which may be needed for the promotion of cottage industries herein provided shall be prohibited as long as local demands therefor have not yet been satisfied.

Under the above quoted provision, the NACIDA may prohibit the exportation of any raw material needed for the promotion of cottage industries as long as local demands therefor have not yet been satisfied. Parenthetically, before the ban may be imposed, it is necessary that surveys, investigations and studies be undertaken to determine the actual condition and status of the market (supply, stock and demands) of particular raw materials, in this instance of canton fiber in their raw form from which varied products of cottage industries are manufactured.

The hearing on the matter revealed the many uses of canton fiber for cottage industries. Among the products made or fashioned out of canton fiber are: placemats, flowers, bags, wall decor, dresses, slippers, hats, dividers, seat covers, etc.

The versatility of canton fiber for various product of cottage industries underscores the imperative need for banning the exportation of needed canton fiber for the promotion of numerous cottage industries which have become the livelihood of many Filipino entrepreneurs and laborers pursuant to the aforesaid Section 13 of Republic Act 3470. The NACIDA should take the initiative of placing those engaged in cottage industries on the basis of economic security by ensuring the steady and uninterrupted supply of raw materials needed for their continued operation by exercising the power to ban the exportation of raw materials needed for the promotion of cottage industries as long as local demands therefor have not yet been satisfied.

The ban on the export of canton fiber in their raw form is in line with the objectives of eliminating competition from more industrially advanced countries with cheap labor. The measure would likewise stifle

attempts to deprive the Philippine laborers of more opportunities for employment in fashioning out the raw materials into finished products and blunt efforts to diminish the proceeds which would go to the owners of this canton fiber if they are exported in finished or semi-finished form.

WHEREFORE, in the interest of the service, to avert shortages and ensure the steady and uninterrupted supply of canton fiber in their raw form for the continued operation of cottage industries utilizing them as raw materials, it is directed that the ban on exportation of canton fiber in their raw form be banned as it is hereby banned.

All concerned are advised and guided accordingly.

(SGD.) MARIO R. REYES"

Authorized Agent Banks are enjoined not to give due course to any Report of Foreign Sales or Export Declaration covering the export of canton fiber without written authority of the NACIDA.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

October 23, 1974

(MAAB No. 112)

In connection with Memorandum to Authorized Agent Banks No. 134 dated November 12, 1973, concerning the ban imposed by the Fertilizer Industry Authority on exports of finished fertilizer and fertilizer raw materials, there is quoted hereunder the text of a letter dated September 17, 1974, of the Executive Director, Fertilizer Industry Authority, relaxing the ban on the exportation of guano, subject to the conditions therein stated:

"We would like to inform you that the FIA Board has relaxed the ban on exportation of guano. In its meeting held on September 10, 1974, the FIA Board has allowed the exportation of guano on a case to case basis. In implementing this policy, we would like to subject such exports to the following conditions:

- 1. Guano for export should contain less than 5% nitrogen. In other words, only phosphatic guano may be exported.*
- 2. Analysis conducted by authorized government laboratory shall be required. Report of such analysis shall be submitted together with the application for permit to export. Sampling and testing of guano shall follow the procedures adopted from the official methods of the Association of Official Analytical Chemists (A.O.A.C.), 11th Edition, 1970.*

3. *Permit has to be secured from FIA everytime a shipment of guano will be made.*
4. *Export price of guano shall not be less than \$3.75 per 50-kg. bag or \$75.00 per metric ton, FOB Manila. This is roughly equivalent to the present FIA ceiling price on grade A phosphatic guano.*
5. *Commitments to deliver shall not extend beyond six (6) months from the date of confirmation.*
6. *Export of guano shall be subject to rules and regulations governing all exports.*

For your information and guidance.

Thank you so much for your cooperation."

Authorized Agent Banks shall continue to refer to the Central Bank Export Department for action Reports of Foreign Sales covering exports of guano which may be filed by their exporter-clients together with the permit issued by the Fertilizer Industry Authority in accordance with the foregoing.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS
November 5, 1974
(MAAB No. 113)

All authorized agent banks are requested to submit a monthly inventory report of Central Bank Official Receipts (Stabilization Tax Form 1, stamped "Export Duty" and new Form CB RCO 03-01) for the collection of Export and Premium Duty to the Revenue Collection Office, Central Bank of the Philippines, within the first five (5) days of the succeeding months on the attached sample form.

The first report shall cover the inventory as of October 31, 1974 and shall be submitted within five (5) days from receipt hereof.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

(Sample form not reproduced)

MEMORANDUM TO AUTHORIZED AGENT BANKS

November 5, 1974

(MAAB No. 114)

Effective immediately, and pursuant to Monetary Board Resolution No. 2349 dated October 25, 1974, the following amendments to letters of credit covering the importation of commodities importable under existing regulations (i.e., non-NEC, SUC and UC items) and not presently subject to Central Bank moratorium may be given due course, without prior Central Bank approval:

- a. Increase in value due to change in unit cost involving not more than \$2,000.00 or 20% of the FOB value of the L/C, whichever is lower;
- b. Increase in value due to inclusion of, or increase in freight, insurance and other forwarding charges, not to exceed \$2,000.00 or 20% of the original value of said charges, whichever is lower; and
- c. Correction in commodity description/specification provided the items involved fall under the same commodity code category.

In this connection, bi-weekly reports (every 15th and 30th day of each calendar month) shall be submitted to the Director of the Department of Commercial and Savings Banks and the Assistant to the Governor, In-Charge, Current Imports and Commodity Classification Office, such reports to contain the following information: L/C number, name of beneficiary, name of importer, amount of excess and causes thereof.

Please be guided accordingly.

(SGD.) AMADO R. BRÍÑAS

Senior Deputy Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

November 18, 1974

(MAAB No. 117)

Subject: Importations of Electronic Integrated
Data Processing Machines (EP 714-
02.31)

Effective immediately, and pursuant to Monetary Board Resolution No.

[277]

2426 dated November 8, 1974, applications for authority to import electronic integrated data processing machines (EP 714-02.31) and related devices, whether new or used, either thru letters of credit, documents against acceptance (D/A) or open account (O/A) arrangement, or any other mode of payment, shall be referred to the Central Bank, thru the Management of External Debt and Investment Accounts Department, for prior approval.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

December 16, 1974

(MAAB No. 119)

Under Monetary Board Resolution No. 2699, dated December 13, 1974, Central Bank Certificates of Indebtedness, Series CC-1, with authorized issue of P200 million, are considered eligible as alternative investment of unloaned funds offered to banks under Paragraph 2(c), Section C of Circular No. 408, Series of 1974, as amended.

[Banks purchasing such certificates for the above purpose shall register them with the Securities Servicing Department, Central Bank of the Philippines. These certificates may also be encashed at the Central Bank anytime prior to maturity upon certification that the proceeds thereof will be used for lending to the beneficiaries of agrarian reform.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS

December 23, 1974

(MAAB No. 121)

Authorized agent banks are advised not to give due course to any Report of Foreign Sales, Export Declaration or Export Permit covering any export to South Africa. All such Reports of Foreign Sales, Export Declara-

tions and Export Permits covering any export to South Africa shall be forwarded to the Central Bank Export Department.

Effective immediately.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

- 0 -

MEMORANDUM TO AUTHORIZED AGENT BANKS
December 24, 1974
(MAAB No. 123)

For the information and guidance of Authorized Agent Banks, there is quoted hereunder the text of Circular Letter No. 21 dated November 27, 1974, of the Administrator, Sugar Quota Administration:

*"Circular Letter No. 21
Series 1974-75*

**TO : ALL BANKS, FINANCIAL INSTITUTIONS, BUSINESSMEN
AND ALL OTHERS CONCERNED**

It has come to the attention of the undersigned that some unscrupulous persons are going around soliciting financing and/or opening of Letters of Credit on the basis of alleged authority or clearance issued in their favor by the undersigned for the purchase and/or export of sugar.

All banks, financial institutions, businessmen and all others concerned are hereby warned that no such authority or clearance has ever been issued or will be issued by the undersigned; that any such alleged authority or clearance is a fake in which the signature of the undersigned has been forged; and that it is only the Philippine Exchange Company, Inc. which is given authority or clearance by the Sugar Quota Administration to export sugar abroad.

(SGD.) JOSE A. UNSON
Administrator"

Authorized Agent Banks shall be guided accordingly.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

MEMORANDUM CIRCULAR TO ALL RURAL BANKS

April 16, 1974

Pursuant to Monetary Board Resolution No. 659, dated March 29, 1974, the imposition of the 7% liquidated damages on past due loans of rural banks which are guaranteed or in the process of restructuring is hereby suspended effective March 29, 1974, in the event of natural calamities, provided the rural bank files a notice to that effect within a period of six (6) months from date of calamity and subject to the following conditions:

- a. The loans which have become past due were used exclusively in the financing of the "Masagana 99" and "Masaganang Maisan" Production Programs; and
- b. Exemptions from liquidated damages shall be limited to the extent of damages ascertained by the Central Bank agricultural credit examiners and project evaluators.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

- 0 -

CIRCULAR TO ALL RURAL BANKS

May 3, 1974

SUBJECT: Restructuring of Loans Granted Under the
Masagana 99 Rice Production Program

In connection with the restructuring of the loans granted by rural banks under the "Masagana 99" Rice Production Program, the following shall be observed:

1. Loans granted under the above program which are past due including those that will mature, the borrower of which was unable to pay or may not be able to pay due to causes mentioned under Item 2 below, may be restructured within one year but in no case to exceed three years, depending on the borrower's repayment capacity. A new promissory note will be executed by the borrower covering the restructured loan which will be used to liquidate the old loan.
2. The loan may be restructured if the non-payment thereof is due to any one of the following causes:
 - (a) the lack of fertilizer;
 - (b) lack of certified seeds;

- (c) army worm infestation and/or other pests and diseases; and
 - (d) the vagaries of weather and/or causes beyond the control of the borrower and not traceable to any concurrent fault or negligence on his part.
3. The loan is eligible for restructuring if any one of the above causes occurred from the date the loan was released up to and including the date of sale by the farmer-borrower of his crop and provided the rural bank files notice of occurrence of above causes within six (6) months from date of such occurrence with the Central Bank Department of Rural Banks and Savings and Loan Associations (DRBSLA).
 4. The rural bank technician and/or government technician assigned to the rural bank shall duly certify that he has verified the occurrence of the event which resulted in the non-payment of the loan, which certification shall be subject to review by the agricultural credit examiner, agricultural project evaluator or agricultural credit extension technician of the Department of Rural Banks and Savings and Loan Associations (DRBSLA) of the Central Bank.
 5. Past due Special Time Deposits granted to rural banks from the Agricultural Loan Fund which is administered by the DRBSLA may also be restructured subject to the above conditions.

This circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM CIRCULAR

May 7, 1974

TO: ALL COMMERCIAL AND RURAL BANKS

Supplementary to Memorandum Circular To All Commercial and Rural Banks dated March 1, 1971 relative to the release of the proceeds of rediscounting accommodations, the procedures for releasing Special Time Deposits to rural banks are modified as follows:

Proceeds of Special Time Deposits for rural banks situated outside a 50-kilometer radius from Manila shall be credited to the clearing account with the Central Bank of the depository commercial bank for the account of the rural bank concerned. However, where there are no branches/agencies of commercial banks in their areas, other rural banks, including those beyond the 50-kilometer radius of Manila may continue to receive the proceeds of Special Time Deposits in the form of checks until such time as such branches/agencies of commercial banks shall have been established.

For this purpose and to ensure the effective implementation of this modified system, all rural banks concerned are enjoined to immediately enter into a depository relationship with commercial banks which have branches/agencies at or near their respective locations. Accordingly, the rural banks shall submit an authenticated copy of the letter of understanding (sample attached) between the rural bank and the commercial bank covering such depository relationship which must indicate but not be limited to, the following:

- a) Authority of the rural bank to have its proceeds of Special Time Deposits from the Central Bank credited, for its account, to the clearing account of its depository commercial bank;
- b) Authority of the depository commercial bank to debit the rural bank's current account for the amount of maturing Special Time Deposits of the Central Bank, inclusive of accrued interest. This should not, however, preclude the rural bank from remitting direct to the Central Bank, within a period of one week, the collections received from the loan granted out of the Special Time Deposits, and the Central Bank shall continue to debit the clearing account of the commercial bank for maturing Special Time Deposits of the rural bank. If the rural bank's current account has a balance insufficient to meet the debit, then the Central Bank shall immediately re-credit the commercial bank's clearing account with the amount previously debited.

It is understood that all charges incident to the transmission of funds to and from the Central Bank thru the depository commercial bank shall be for the account of the rural bank.

In this connection, the depository commercial bank shall, thru its branch or agency, transmit by telegraphic transfer, to the rural bank the entire proceeds of the Special Time Deposits credited to the former's clearing account for the account of the rural bank not later than the next business day following receipt of the corresponding credit advice from the Central Bank. The rural bank shall be furnished at the earliest possible time with a copy of the corresponding credit advice together with the usual letter stipulating the terms and conditions of the Special Time Deposits granted.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM CIRCULAR TO ALL RURAL BANKS
May 14, 1974

SUBJECT: Amending further Memorandum Circular to All Rural Banks, as amended, dated October 22, 1973 re - Participation of Rural Banks in the Financing of Small (Scale) Sized Industries Under the Industrial Guarantee and Loan Fund Program

Pursuant to Monetary Board Resolution No. 945 dated May 10, 1974, Memorandum Circular to All Rural Banks, dated January 18, 1972, as amended on October 22, 1973, specifically Item 3 thereof, is hereby further amended to read as follows:

xxx

xxx

xxx

- "3) The paid-in capital of the applicant rural bank, exclusive of government counterpart capital (preferred shares) should not be less than P150,000;"

xxx

xxx

xxx

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO ALL BANKS

May 15, 1974

Subject: Temporary use of CBCIs and other government securities with remaining maturities of less than two (2) years, not otherwise eligible, as reserves against deposit liabilities of banks

Please be informed that pursuant to Central Bank Circular No. 406 dated May 15, 1974, which implements Monetary Board Resolution No. 957 dated May 10, 1974, the temporary use of CBCIs (except special series) and other government securities, with maturities of less than two (2) years, not otherwise eligible, shall be allowed as reserves against deposit liabilities of banks during the period that they are deficient in their reserves, but not more than fifteen (15) days in any case.

The amount of CBCIs and other government securities with remaining maturities of less than two (2) years, not otherwise eligible, to be allowed as reserves against deposit liabilities of banks shall be to the extent of the reserve deficiency for the day.

Banks desiring to avail themselves of the above privilege shall file their applications (pro-forma CBP-7-16-29) in duplicate on the day immediately following that when the applicant bank has incurred a reserve deficiency. The application may be filed with the Department of Commercial and Savings Banks (DCSB) either personally or through other faster means of delivery, provided that in any case, the actual date of acknowledgment by DCSB shall be considered as the date of filing thereof. The applicant bank shall state in the application the cause(s) of the reserve deficiency and the justifications for its request. The applicant bank shall strive to improve its reserve position.

This memorandum shall take effect immediately. All other circulars, memoranda, or regulations inconsistent herewith are hereby modified and/or revoked accordingly.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO ALL COMMERCIAL BANKS
June 24, 1974

Please be advised that pursuant to action taken under Section 18 of R.A. No. 265, as amended, and its Resolution No. 1043 of June 24, 1974, and acting under the authority of Section 29 of the same Act, the Monetary Board has forbidden the Continental Bank to do business in the Philippines effective upon the start of office hours today, June 24, 1974, and has designated the Director, Department of Commercial and Savings Banks as receiver to immediately take charge of its assets and liabilities, as expeditiously as possible collect and gather all the assets and administer the same for the benefit of its creditors, and exercising all the powers necessary for these purposes including, but not limited to, bringing suits and foreclosing mortgages in the name of the banking institution.

The Philippine Deposit Insurance Corporation will as soon as possible pay all insured deposits.

(Sgd.) AMADO R. BRINAS
Senior Deputy Governor

- 0 -

MEMORANDUM TO ALL BANKS
July 3, 1974

In its Resolution No. 1196 dated June 7, 1974, the Monetary Board approved the following rules and regulations in connection with the sale/purchase by a bank (including those undertaken by its Trust Department) of commercial papers or securities or any other kind of assets under Repurchase Agreement, or the issuance of Participation Certificates/Certificates of Assignment or the issuance of other types of deposit substitute instruments "with recourse", or similar transactions regardless of the terminology used:

A. The selling bank shall be required to -

- 1) credit an amount equivalent to the proceeds derived therefrom as real liabilities under "Bills Payable"/"Borrowings"; and

- 2) continue to reflect as part of the corresponding asset accounts such sale of promissory notes, securities or other kinds of assets with repurchase agreements or transactions "with recourse".

B. The buying bank shall be required to reflect such transactions, including those involving government securities, as part of its loan portfolio.

Accordingly, the account "Bills Payable" [Deposit Substitutes] in CBP-7-16-02, CBP-7-16-03, CBP-7-16-03-B, and CBP-7-16-05 shall henceforth include the above-mentioned transactions.

This memorandum supersedes all previous rules and regulations which are inconsistent herewith.

Please be guided accordingly.

FOR THE MONETARY BOARD:

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

- 0 -

MEMORANDUM
July 5, 1974

TO : ALL INVESTMENT HOUSES

You will please cause the publication of your Consolidated Balance Sheets as of June 15, 1974 in accordance with our Circular Letter dated June 27, 1974, copy attached, not later than July 15, 1974.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

(Attachment not reproduced)

- 0 -

MEMORANDUM TO ALL BANKS
July 10, 1973

The attention of all banks is invited to General Order No. 31 issued on June 29, 1973 by the President of the Philippines which provides that cases to be tried and decided by military tribunals shall include:

"22. Any violation of the provisions of Republic Act No. 1405 on secrecy of bank deposits."

A copy of General Order No. 31 is attached hereto for ready reference.

(SGD.) G. S. LICAROS
Governor

Attachment:

MALACAÑANG
Manila

GENERAL ORDER NO. 31

FURTHER AMENDING GENERAL ORDER NO. 12, AS AMENDED.

WHEREAS, under Executive Order No. 415, dated June 29, 1973, I have created a National Commission on Savings which shall take charge of accelerating capital formation through non-inflationary means, particularly through savings with banks and other financial intermediaries;

WHEREAS, under Proclamation No. 1155, dated June 29, 1973, I have declared June 29, 1973 to June 29, 1974 as Savings Consciousness Year with the direct objective of inculcating in the minds of the citizenry and in all sectors of society a continuing awareness of the extreme and vital importance of savings insofar as it relates to capital formation and the development and progress of the national economy;

WHEREAS, it has been the declared policy of the Government to give encouragement to the people to deposit their money in banking institutions and to discourage private hoarding so that the same may be properly utilized by banks to assist in the economic development of the country;

WHEREAS, under Republic Act No. 1405, in consonance with the aforementioned policy of the Government to encourage deposits and savings to banking institutions, all deposits of whatever nature with banks or banking institutions in the Philippines, among others, are considered as of an absolutely confidential nature and may not be examined, inquired or looked into by any person, Government official, bureau or office, except upon written permission of the depositor, or in cases of impeachment, or upon order of a competent court in cases of bribery or dereliction of duty of public officials, or in cases where the money deposited or invested is the subject matter of litigation;

WHEREAS, it has also been declared unlawful for any official or employee of a banking institution to disclose to any person, other than in the cases expressly mentioned above, any information concerning deposits;

WHEREAS, the efforts of the Government to generate increased savings with banks and other financial intermediaries may not achieve the desired results unless the secrecy of savings deposits is zealously guarded and protected.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972 and General Order No. 1, dated September 22, 1972, as amended, do hereby order and decree that General Order No. 12, dated September 30, 1972, as amended, is hereby further amended to include the following among the cases to be tried and decided by military tribunals authorized to be constituted under General Order No. 8 dated September 27, 1972, exclusive of the Civil courts:

"22. Any violation of the provisions of Republic Act No. 1405 on secrecy of bank deposits."

DONE in the City of Manila, this 29th day of June in the year of Our Lord, nineteen hundred and seventy-three.

(SGD.) FERDINAND E. MARCOS
President of the Philippines

By the President:

ROBERTO V. REYES
Assistant Executive Secretary

- 0 -

MEMORANDUM TO ALL BANKS
August 1, 1974

In its Resolution No. 1009 dated May 17, 1974, the Monetary Board decided that Premyo Savings Bonds shall be eligible as reserves against deposit liabilities.

The eligibility shall take effect on August 1, 1974.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO ALL AUTHORIZED GOLD DEALERS
AND PRIMARY GOLD PRODUCERS
August 2, 1974

Please be advised that pursuant to Monetary Board Resolution No. 1574 dated July 26, 1974, the following interpretation of Sections 6 and 7 of Circular 401 dated April 24, 1974 is hereby adopted:

1. Loans granted on gold shipments with maturities of 30 days to 360 days can be renewed or rolled over for a period not exceeding 180 days. Rediscounting with the Central Bank of the corresponding promissory note (rolled-over) shall be for a period not exceeding 180 days under the same terms and conditions as the original grants and any request for further extension of rediscounting will be granted if the price of gold is lower than the price at which the same was originally acquired by the borrower;
2. Accommodations to authorized gold dealers will be treated as falling within the exception to the single borrower limit under Section 23 of Republic Act No. 337, as amended; and
3. Rediscounting under the said circular shall be considered as exceeding.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

- 0 -

MEMORANDUM TO ALL COMMERCIAL BANKS August 20, 1974

The Monetary Board, in its Resolution No. 1744 dated August 9, 1974, adopted the following additional "Guidelines on Increased Capitalization and Merger or Consolidation of Commercial Banks", in order to ensure the full and effective implementation of citizenship requirements imposed by existing applicable laws on financial institutions such as banks, investment houses and finance companies and to prevent circumvention of such an objective by means of provisions in articles of incorporation, by-laws or similar documentation:

- "1. Where at least a majority of the equity is reserved by law to be held by Filipino citizens and foreign stockholders are occupying or will occupy a substantial minority position, no corporation in a financial sector will be permitted to provide in its articles of incorporation, by-laws or similar documentation a provision that certain corporate transactions* would require a voting concurrence of greater than 70% of the subscribed capital stock entitled to vote for banks, investment houses, finance companies and such other corporations similarly subject to regulation by the Central Bank.

"The 70% ceiling on the voting concurrence requirement shall extend to all levels of corporate decisions: (a) stockholders, (b) board of directors, as well as (c) sub-committees of the board

* Such as those enumerated in the attached list.

(which for this purpose refer to such bodies the voting members of which are composed exclusively of members of the board of directors and whose decisions are binding on the board as a whole without the need for further confirmation). For the board of directors, or sub-committees of the board, the 70% ceiling on the voting concurrence may refer to the entire membership rather than the quorum present.

- “2. The foregoing policy shall be applied prospectively; hence, it shall not affect the articles of incorporation or by-laws of financial institutions, where foreign stockholders occupy a substantial minority position, already approved by the Central Bank and/or registered with the Securities and Exchange Commission (SEC).
- “3. In addition to previously approved guidelines governing management contracts, the following features shall likewise be provided in any such contract as may be entered into by a domestic bank with foreign equity with a foreign bank or management group:
 - “a. A term which shall in no case exceed five years with any subsequent renewal thereof to be subject to Central Bank approval;
 - “b. A program for ultimate Filipinization of any such staff or line position which may be temporarily held by foreigners under a management contract or similar document; and
 - “c. The conditions under which such contract may be terminated by either party before expiration of the term of the contract.”

The Monetary Board further decided as follows:

“To modify the limitation on the authority of the managing company to designate foreigners to occupy the positions of Chairman, Vice-Chairman or Presiding Officer of the Board of Directors, President, or Executive Vice President of the bank, as provided for in paragraph II. F. 2. d of Supplement II to the Guidelines on Increased Capitalization and Merger or Consolidation of Commercial Banks, so as to allow the managing company to designate a foreigner to occupy one of the aforesaid positions.”

(SGD.) G. S. LICAROS
Governor

Attachment:

**LIST OF PERMISSIBLE SPECIAL TRANSACTIONS WHICH
WOULD REQUIRE A GREATER THAN SIMPLE MAJORITY VOTE
OF THE DECISION-MAKING BODY CONCERNED**

1. Amendment, repeal or adoption of new by-laws.

2. Issuance of any share of stock of any class, or of any security convertible into or exchangeable for any share of stock, or the grant of an option to purchase any such share or convertible or exchangeable security.
3. Increase or decrease of the number of directors.
4. Incurring or increasing of bonded indebtedness.
5. Appointment of legal counsel or external auditors.
6. Amendment, repeal or adoption of new by-laws where such power has been duly delegated to the board of directors.
7. Entering into a Management Contract, any contract with third persons, firm or corporation for the general management, administration and operation of the company's business and properties.
8. Amendment, termination (other than by expiration of term), cancellation, extension or modification of the contract referred to in the immediately preceding item.
9. Investing the funds of the Bank in the equity of any other corporation or business or for any purpose other than the main purpose for which the Bank is organized.
10. Selling, exchanging, leasing or otherwise disposing of all or substantially all of the properties and assets of the Bank, including its goodwill, and entering into a merger or consolidation.
11. Issuing stock or bonded dividends.
12. Substantial participation of foreigners in the equity of the bank.
13. Increase or decrease of capital stock which would dilute the voting equity of foreign stockholders.
14. Substantial capital expenditures, borrowings, and loans.
15. Concentration of credit to affiliated groups of borrowers.
16. Loans to directors, officers, stockholders and/or their related interest.

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MEMORANDUM CIRCULAR TO ALL RURAL BANKS
August 23, 1974

SUBJECT: Guidelines for the Restructuring and Refinancing of Loans of Rural Bank Borrowers who Sustained Losses/Damage due to heavy rains and flood waters in thirteen (13) Luzon Provinces (Benguet, Bulacan, Pampanga, Tarlac, Pangasinan, Nueva Ecija, Bataan, Zambales, La Union, Rizal, Laguna, Cavite and Quezon) and Aurora Subprovince.

In connection with the losses/damage to crops, livestock and properties in the above-mentioned provinces caused by the mid-August 1974 heavy rains and flood waters, the following guidelines are issued relative to the restructuring and refinancing of loans to borrowers:

1. Rural banks in the affected areas shall determine, as soon as possible but not later than September 15, 1974, which of their borrowers shall be unable to pay their obligations at due date because of damages and/or losses caused by the recent heavy rains and flood waters.
2. Rural bank agricultural technicians and production technicians of other government agencies detailed with said banks should submit a report to the bank within ten (10) days from date of verification of the extent of damage suffered by each borrower.
3. Based on the report of the agricultural technician hired by or assigned to rural banks, a plan of payment should be prepared for borrowers who are deemed credit-worthy but who shall not be able to meet the original payment terms of their current loans and/or previously restructured loans as a result of the floods provided that only loans totalling more than P100 are eligible for restructuring.
4. The plan of payment which shall be incorporated in the restructured promissory note of the borrower shall provide for repayments at the end of each cropping season during the life of the restructured loan. Loans of borrowers which have been previously restructured due to previous calamities will be consolidated in the new restructured loans. Loans may be restructured within one year but in no case to exceed three years.
5. The plans of payment covering the restructured loans shall be submitted for review by the Agricultural Credit Supervisors or Bank Examiners of the Central Bank's Department of Rural Banks and Savings and Loan Associations (CB-DRBSLA) assigned in the area where the rural bank operates who shall recommend to CB approval or disapproval of the restructuring application of the rural bank.
6. The restructuring application should be accompanied by the Rural Bank's restructured promissory note in favor of the Central Bank's Department of Loans and Credit (CB-DLC) in case of loans rediscounted and a new Certificate of Special Time Deposit (STD) in favor of CB-DRBSLA in case of loans funded directly from STDs which application for restructuring shall be submitted to CB-DRBSLA not later than December 31, 1974.
7. In cases of unused production inputs, the rural bank should apply the unreleased portion in the borrower's Special Savings Deposit Account to their applicable loan accounts, first to interest and the remainder to principal. The portion applied to principal shall be remitted to CB (to DLC for rediscounted notes and to DRBSLA for loans funded directly from STDs).

8. Eligible rural bank borrowers which need immediate refinancing to catch up with the current crop season may be granted new loans provided, that in case of crop loans, there is reasonable assurance that sufficient water would be available to sustain the crop.

Accordingly, a farmer can avail of a maximum loan of P1,500 per hectare in calamity areas on a case-to-case basis as determined by each rural bank in consultation with the Production Technician and/or the Provincial Program Officer.

9. As far as the granting of loans under the supervised credit is concerned, it will be sufficient that the existing farm plan be used for the new loans to be granted to the same borrower provided, that any change(s) therein particularly in the schedule of releases shall be properly initialed by the Technician concerned and Rural Bank Manager or his authorized representatives.
10. To enable rural banks to grant new loans immediately to the flood victims they are authorized to utilize for the purpose, any available bank funds (proceeds of rediscounting, special time deposits, counterpart funds, savings deposit and other funds) subject to replenishment from proceeds of STDs and/or rediscounting provided under this program.
11. To provide rural banks with funds to grant new loans to the flood victims CB-DRBSLA shall make an initial STD of P50,000 with the rural bank. Additional STDs shall be released upon the recommendation of the CB-DRBSLA's Agricultural Credit Supervisor or Bank Examiner assigned in the rural bank's area of operation provided that any amount paid by the Land Bank of the Philippines as advance payment against claims on guaranteed loan shall be deducted in determining the additional STDs.
12. Rediscounting with CB-DLC of new loans granted under this restructuring and refinancing program shall be accorded the same preferential treatment as those pertaining to rice and corn loan papers. Rural banks which avail of this program shall not be precluded from rediscounting their ordinary loan papers during the life of the restructured loans.
13. Loans funded from rural bank funds may also be restructured for the rural bank's own account, provided that the restructuring plan is approved by CB-DRBSLA's Agricultural Credit Supervisors or Bank Examiners.
14. All other guidelines, rules and regulations governing rural banks which are not inconsistent with the above shall remain in effect.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO ALL NON-BANK FINANCIAL INTER-
MEDIARIES

September 12, 1974

The Monetary Board, in its Resolution No. 1744 dated August 9, 1974, adopted the following "Guidelines" to ensure the full and effective implementation of citizenship requirements imposed by existing applicable laws on financial institutions and to prevent circumvention of such an objective by means of provisions in articles of incorporation, by-laws or similar documentation:

1. Where at least a majority of the equity is reserved by law to be held by Filipino citizens and foreign stockholders are occupying or will occupy a substantial minority position, no corporation in a financial sector will be permitted to provide in its articles of incorporation, by-laws or similar documentation a provision that certain corporate transactions ^{*}/ would require a voting concurrence of greater than 70% of the subscribed capital stock entitled to vote for banks, investment houses, finance companies and such other corporations similarly subject to regulation by the Central Bank.

The 70% ceiling on the voting concurrence requirement shall extend to all levels of corporate decisions: (a) stockholders, (b) board of directors, as well as (c) sub-committees of the board (which for this purpose refer to such bodies the voting members of which are composed exclusively of members of the board of directors and whose decisions are binding on the board as a whole without the need for further confirmation). For the board of directors, or sub-committees of the board, the 70% ceiling on the voting concurrence may refer to the entire membership rather than the quorum present.

2. The foregoing policy shall be applied prospectively; hence, it shall not affect the articles of incorporation or by-laws of financial institutions, where foreign stockholders occupy a substantial minority position, already approved by the Central Bank and/or registered with the Securities and Exchange Commission (SEC).

Any investment agreement, management contract, memorandum of agreement, or similar agreements shall be submitted to the Central Bank for review and evaluation.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

Attachment:

^{*}/ Such as those enumerated in the attached list.

LIST OF PERMISSIBLE SPECIAL TRANSACTIONS WHICH
WOULD REQUIRE A GREATER THAN SIMPLE MAJORITY VOTE
OF THE DECISION-MAKING BODY CONCERNED

1. Amendment, repeal or adoption of new by-laws.
2. Issuance of any share of stock of any class, or of any security convertible into or exchangeable for any share of stock, or the grant of an option to purchase any such share or convertible or exchangeable security.
3. Increase or decrease of the number of directors.
4. Incurring or increasing of bonded indebtedness.
5. Appointment of legal counsel or external auditors.
6. Amendment, repeal or adoption of new by-laws where such power has been duly delegated to the board of directors.
7. Entering into a Management Contract, any contract with third persons, firm or corporation for the general management, administration and operation of the company's business and properties.
8. Amendment, termination (other than by expiration of term), cancellation, extension or modification of the contract referred to in the immediately preceding item.
9. Investing the funds of the Non-Bank Financial Intermediary in the equity of any other corporation or business or for any purpose other than the main purpose for which the Non-Bank Financial Intermediary is organized.
10. Selling, exchanging, leasing or otherwise disposing of all or substantially all of the properties and assets of the Non-Bank Financial Intermediary including its goodwill, and entering into a merger or consolidation.
11. Issuing stock or bonded dividends.
12. Substantial participation of foreigners in the equity of the non-bank financial intermediary.
13. Increase or decrease of capital stock which would dilute the voting equity of foreign stockholders.
14. Substantial capital expenditures, borrowings, and loans.
15. Concentration of credit to affiliated groups of borrowers.
16. Loans to directors, officers, stockholders and/or their related interest.

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MEMORANDUM TO ALL COMMERCIAL BANKS
September 27, 1974

In its Resolution No. 1745 dated August 9, 1974, the Monetary Board approved, for purposes of the increase capitalization program for commercial banks, the eligibility of evidences of indebtedness of the Republic of the Philippines and of the Central Bank and any other evidences of indebtedness or

obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines (including Land Bank bonds) as among the property that may be transferred to a bank in payment for domestic subscription to capital stock, subject to procedures on valuation which shall be determined by the Central Bank and to the pertinent provisions of Section 21 of Republic Act No. 337, as amended, restricting the amount which a bank may invest in such evidences of indebtedness.

This will supplement the "Guidelines on Increased Capitalization and Merger or Consolidation of Commercial Banks."

(SGD.) AMADO R. BRÍÑAS
Senior Deputy Governor

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MEMORANDUM TO ALL COMMERCIAL BANKS ¹¹⁷⁻⁹
October 22, 1974

REVISED REGULATIONS TO GOVERN THE HANDLING
OF CHECKS DRAWN AGAINST DEMAND DEPOSITS
CARRIED IN OUT-OF-TOWN BANKS

In its Resolution No. 2087 dated September 20, 1974, the Monetary Board adopted the following revised regulations to govern the handling of checks drawn against demand deposits carried in out-of-town banks:

1. The bank which accepted for deposit/collection a check drawn against a demand deposit maintained in an out-of-town bank must send the check for collection to the drawee bank within Twenty-Four (24) Hours (non-regular banking days excluded) counted from the time the bank accepted the check. Sending the check for collection is sending it directly to the drawee bank by registered mail with return receipt. Checks drawn against drawee banks located in places where the Central Bank maintains clearing offices shall be cleared directly with the said offices.
2. Upon receipt of a check from the collecting bank, the drawee bank carrying the demand deposit against which the check is drawn (if cleared through means other than the clearing facilities of the Central Bank), must indicate the date and time of receipt of the check on the registered mail return receipt if the item is sent by registered mail, or on the duplicate copy of the collecting bank's letter of instruction if the item is sent through means other than by registered mail.
3. The drawee bank should maintain a register of all checks received for settlement which should be separate and distinct from the register of incoming mails or messages. This register must indicate in chronological order all checks received for settlement with information such as, but not limited to, the date and time the check was received, the name and address of the collecting bank, the current account number against which check is drawn, the date and amount of the check, and the date the proceeds thereof were remitted or the date the check was returned, as the case may be.

4. The drawee bank or office carrying the demand deposit against which the check is drawn must dispose of such item within Twenty-Four (24) Hours (non-regular banking days of the drawee bank excluded) counted from the time it received the check. Disposing of such item is remitting the proceeds to the collecting bank if the check is honored, or returning the check with the reason for the return, in the event of dishonor.

5. The date of disposition of the check shall be determined by the date of mailing of the instrument of payment, say Demand Draft, or date of dispatch of Telegraphic Transfer, if the check is honored, or by the date of mailing of the return slip attached to the item, if it is dishonored.

6. All checks received for payment but not acted upon at the end of the day must be recorded by the drawee bank on the same day as part of its contingent account "Inward Bills for Collection" pursuant to Memorandum to All Banks dated November 18, 1970.

Any violation of this Memorandum shall render the offender liable to the penal sanctions of Sections 34 and 34-A of R.A. 265, as amended.

This memorandum supersedes Memorandum to All Commercial Banks-DSE dated November 22, 1960 and shall take effect immediately.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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MEMORANDUM
November 18, 1974

TO : ALL HEADS OF DEPARTMENTS, OFFICES AND AGENCIES
OF THE GOVERNMENT

In Letter of Instructions No. 158 dated January 21, 1974, the President of the Philippines ordered that:

"1. All foreign borrowing proposals of the Government, Government Agencies and government financial institutions shall be submitted to the Central Bank for approval in principle by the Monetary Board as to purpose and credit terms among others, before commencement of actual negotiations.

"2. Actual negotiations for such foreign credits and/or accommodations shall be conducted by the Secretary of Finance and/or Central Bank Governor or their duly authorized representatives as chief or co-chief negotiators, together with the representatives of the Government, government agencies and government financial institutions or entities concerned."

It has been observed that the above instructions of the President are not being adhered to in many foreign loan negotiations.

Letter of Instructions No. 158 was promulgated "in view of the necessity of effecting a rational and well-coordinated government borrowing strategy

and thereby ensure that such borrowings, aside from meeting valid requirements of government borrowers concerned, can be a positive instrument in further enhancing the country's credit standing and credibility abroad, in strengthening the government negotiating posture and in maintaining the integrity of the fiscal commitments of the Government and the country's international reserves."

Your cooperation in securing compliance with the above Letter of Instructions is earnestly requested.

(SGD.) G. S. LICAROS
Governor
Central Bank of the Philippines

(SGD.) CESAR VIRATA
Secretary of Finance

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MEMORANDUM -CIRCULAR

November 18, 1974

TO : ALL BANKS

For your information and guidance, we are quoting hereunder the pertinent provisions of General Order No. 47 dated May 27, 1974:

"1. For a period of time to be recommended by the National Grains Authority, hereinafter referred to as the Authority, but in no case less than three years from the date of effectivity of this Decree, all domestic corporations and partnerships shall provide for the rice and corn requirements of their employees and the latter's immediate families in either of the following ways:

- a. By engaging in the production of rice and/or corn as hereinafter provided, or
- b. By importing such amounts of rice and/or corn to meet these requirements.

"2. For the purposes of this Order, domestic corporations and partnerships shall refer to all corporations and partnerships organized and existing under Philippine laws, operating for profit, and with at least five hundred (500) employees, provided that said corporations and partnerships report earnings over the last four years that will allow them to engage in the production or importation of rice and/or corn for their employees' requirements without adversely affecting their financial viability."

All banks covered by the said General Order may legitimately engage in the production of rice and corn in compliance with the provisions of the aforesaid General Order, provisions in their respective charters to the contrary notwithstanding.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM
December 3, 1974

**TO: ALL FINANCIAL INTERMEDIARIES WITH
QUASI-BANKING FUNCTIONS**

Please be advised that the Monetary Board, in its Resolution No. 2493 dated November 15, 1974, terminated the temporary exemption from the single borrower limit provisions of loans of banks and non-bank financial institutions authorized to perform quasi-banking functions (previously authorized under M.B. Res. No. 1349 of June 28, 1974).

Effective immediately.

FOR THE MONETARY BOARD:

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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**MEMORANDUM CIRCULAR TO ALL RURAL BANKS
AND STOCK SAVINGS AND LOAN ASSOCIATIONS**
December 27, 1974

Pursuant to Monetary Board Resolution No. 2769 dated December 27, 1974, a penalty of seven per cent (7%) per annum shall be assessed beginning January 1, 1975, on all outstanding past due Special Time Deposits of rural banks and stock savings and loan associations unremitted to the Central Bank.

In the event of natural calamities, however, the Central Bank may suspend the imposition of the 7% penalty on past due Special Time Deposits provided that:

1. The Special Time Deposits affected were used by the rural bank/savings and loan association to finance loans guaranteed or those in the process of restructuring; and
2. The rural bank/savings and loan association files a notice in writing with the Department of Rural Banks and Savings and Loan Associations within ten (10) days after the occurrence of the calamity and the extent of its damages on crops financed, etc.

The exemption from the penalty shall be limited to the amount of loans restructured by the rural bank/savings and loan association as recommended by the Central Bank's Agricultural Credit Supervisor and approved by the Department of Rural Banks and Savings and Loan Associations.

(SGD.) G. S. LICAROS
Governor