

CENTRAL BANK OF THE PHILIPPINES

T h i r t i e t h Annual Report

1978

BANGKO SENTRAL NG PILIPINAS



BSPBK0008763

Manila, Philippines

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 II, Republic Act No. 265, as amended.

Central Bank of the Philippines

MANILA

OFFICE OF THE GOVERNOR

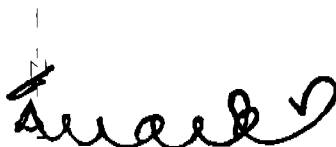
March 31, 1979

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 Thirtieth Annual Report (1978) 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

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

Cesar C. Zalamea

PRINCIPAL OFFICERS

Gregorio S. Licaros
Governor

Amado R. Briñas
Senior Deputy Governor

Benito Legarda, Jr.
Deputy Governor
Research Sector

Cesar J. Lomotan
Deputy Governor
International Operations
Sector

Eugenio Nierras, Jr.
Deputy Governor
Domestic Operations Sector

Gabriel C. Singson
Deputy Governor and General
Counsel

Carlota P. Valenzuela
Deputy Governor
Supervision and Examination
Sector

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SOURCES AND SYMBOLS

SOURCES.—Statistics 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 the Consolidated Statements of Condition of Banks (commercial banks, savings banks, development banks, and stock savings & loan associations), the Daily Statement of Condition of the Central Bank, the Monthly Operation Statement of the Bureau of Treasury 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. OVERVIEW

The Philippine economy's resiliency and capacity to grow in the face of domestic and external adversities was once again demonstrated in its performance during 1978. A growth rate of 5.8 per cent in Gross National Product was posted, in spite of sluggish trading conditions abroad, the set-back caused by natural calamities and the unsettling effects of an anticipated oil price hike. Domestic prices increased as projected and the balance of payments deficit was manageable as originally projected.

Policy directions

Monetary measures were closely woven with the government's development and price objectives. Money supply and domestic credits expanded at levels sufficient to stimulate growth and keep inflationary pressures in checks. The interest rate reforms formulated in 1977 took effect this year and resulted in lower cost of money. Changes in rediscounting regulations were made to enhance their effectiveness in redirecting credit flows and availability to priority industries. These included the lowering of banks' lending rates under the Masagana 99 and Masaganang Maisan programs, the standardization of the rediscounting and bank lending rates for other preferred activities; and the increase in the rediscounting ceiling of commercial banks for non-traditional export and small-scale industries financing.

Open market operations, undertaken through sales and repurchases of CBCIs, were carried out such that monetary aggregates moved within programmed levels and interest rate movements were within tolerable ranges. The rationalization of the yields and terms of government securities to make them effective instruments of open market operations also started this year in September with the auctioning of regular CBCI series.

Fiscal policy in 1978 continued to be a major complementary tool to monetary policy. Cash disbursements of the National Government increased further and led to an overall current deficit, thus providing greater liquidity in the funds market. Moreover, the savings campaign continued to mobilize domestic resources and thereby provide non-inflationary sources of loanable funds to the banking system.

Foreign exchange policy continued to be directed at improving the country's external payments position and lending support to domestic economic and financial activities. The promotion of exports by simplifying export procedures and documentation and the facilitation of specific short-term foreign borrowings by export-oriented enterprises reflected efforts to strengthen the economy's trade performance. The liberal policy on foreign investments was maintained.

External Transactions

Partly reflecting the international economic conditions and the greater import demand arising from stepped-up domestic investment, the balance of payments closed the year with a deficit of \$54 million. The country's merchandise trade deficit deteriorated as imports rose at a rate faster than exports. While impressive foreign exchange gains were made by coconut oil, copper and non-traditional exports, these were more than offset by the substantial decline in earnings from sugar, copra, molasses and nickel. Sugar alone accounted for a \$315 million drop in export earnings. Import payments were at an all-time high of \$4,732 million. These were largely for mineral fuels, lubricants and related materials and machinery and capital equipment, indicative of the intensification of development efforts.

The surplus obtained in the invisible trade account helped to keep the overall deficit at a lower level. Earnings from tourism (which increased by 44.8 per cent), personal remittances from abroad and inflows of long-term capital contributed greatly towards the improvement of the foreign exchange position.

Japan and the United States continued to be the Philippines' major trading partners but the year 1978 also showed a broader trading base. Increased trade traffic was noted between the Philippines and those in the ASEAN region as well as Europe. A changing structure of the country's export products was also apparent in 1978, with non-traditional exports like semi-conductor devices, iron ore agglomerates and bananas outpacing the growth in the value of most if not all of the Philippines' traditional export products.

On the other hand, total outstanding debt moved to a higher level this year while growing at a rate almost similar to that experienced in 1977. Of the total availments in 1978, the private sector continued to account for the largest drawings, followed by the government and the Central Bank.

The country's international reserve accelerated by 23 per cent and amounted to \$1,883 million as of end-1978. This level was equivalent to approximately five months imports, based on the average import figure for 1978.

The exchange rate of the peso vis-a-vis the U.S. dollar was relatively stable throughout most of 1978 and showed an improvement over the average rate of the previous year. The increase in the international reserve level and the availability of foreign credit lines, to a large extent, sustained the stability of the peso and somewhat dampened speculative activities in the market. Meanwhile, the weakening of the U.S. dollar compared with other major currencies also exerted an influence on the exchange rate of the Philippine peso against these currencies. By the end of the year, the peso rate showed some improvements against the Japanese yen, Swiss franc and the Canadian dollar while depreciations were registered relative to the Deutsche mark, the French franc, the U.K. sterling and the Netherlands guilder.

Internal Monetary Developments

The slack in the external sector called for the adoption of a growth strategy more slanted towards raising domestic demand. Monetary aggregates were expanded to provide a stimulus to domestic production. Increased credits of the Central Bank and the commercial banking system boosted total domestic liquidity which registered an annual growth of 18 per cent. Money supply, accounting for 33 per cent of total liquidity, went up by 13 per cent. The increment came solely from internal monetary transactions, which more than made up for the draw-down in money of external origin.

The bulk or 45 per cent of total domestic liquidity took the form of savings and time deposits. Increased interest rates on bank deposits and the regulation of money market rates were effective in channeling more funds to the banking system. At a level of ₱24 billion, savings and time deposits marked an annual acceleration of 33 per cent. Deposit substitutes continued to experience a decelerating growth rate, rising by only 0.8 per cent during the year.

More short-term funds were brought into the money market, commanding lower yields. The relatively liquid situation in the short-term funds market was brought about largely by greater foreign borrowings, liberalized Central Bank rediscounting and the expansionary operations of the National Government. The stock market bounced back from its previous year's slack and ended 1978 with higher volume and value. A shift in interest to the more stable commercial-industrial issues was also noted although the mining and oil shares maintained their trend of rising prices and higher volume turnover.

Consumers had to contend with an average price increase of 7.3 per cent in 1978 as indicated by the Consumer Price Index for the Philippines. However, this marked a substantial relief from the almost 10 per cent inflation rate registered in 1977. The price uptrend came largely from food items and was

particularly pronounced during the second half of the year. The latter may be ascribed principally to the adverse effects on crops caused by the tropical depression in October and to the upward adjustment of price ceilings of coconut-based consumer goods. The hike in sales and specific business taxes, artificial shortages of basic commodities and increased consumer demand also pushed prices up. This year's inflation rate was a few percentage points above the development plan's 7 per cent projection but was well below the 10 per cent statutory benchmark.

Production, employment and gross sales

Domestic production indicators recorded higher output levels. The combined yield of agriculture, fishery and forestry registered a growth rate of a little more than 4 per cent, notwithstanding unfavorable weather conditions. Manufacturing output went up at an accelerated rate of almost 5 per cent, with foreign markets exerting a significant upward push. Production of gold and non-metallic minerals also exceeded their previous year's levels but the substantial slowdown of metallic ore mining limited the growth rate of the mining and quarrying sector to only 0.7 per cent.

The real estate, transport and electricity sectors also contributed to the modest gain in overall domestic production thus cushioning the cutback in number and value of construction activities.

With a 16 per cent growth rate, gross sales expanded twice that of 1977, due largely to brisker trading activities, higher market prices and substantial receipts in the services group, particularly hotels and restaurants.

The increase in production and gross sales was also accompanied by higher employment, although at a decelerating rate due largely to manpower cutbacks in mining and construction. Salaried workers received 17 per cent more this year while wage earners obtained 14 per cent more. These increases however, were eroded by higher prices in 1978 for a cutback of 2.8 per cent in real wages of unskilled workers.

Looking ahead

The Philippine economy has just passed a difficult performance test in 1978 and this gives reason for optimism in 1979. With the unpredictability of the international market due largely to the oil price hike and the protectionist stance of the Philippines' trading partners, dependence on exports as the engine of growth will have to be supported by a more stimulative role for domestic demand. In this connection, monetary policy will continue to be geared towards a financial environment conducive to productive activity under stable conditions. Interest rates shall be maintained at their present levels in order to en-

courage domestic investment. Credit priorities shall continue to be tied closely with priority activities while savings mobilization will be accelerated with measures to support the development of a capital market.

Efforts shall be geared towards attaining a balance of payments surplus in 1979. Foreign exchange earnings from traditional exports and non-traditional as well as non-merchandise receipts are expected to more than cover up for the import bill, the bulk of which will go to capital goods. The Philippines expects to start producing about 11 per cent of its oil requirements in 1979, in addition to the energy sources available from its geothermal and hydro plants. The prospect of less dependence on imported oil provides assurance of a better year ahead.

B. MONEY, CREDIT AND PUBLIC FINANCE

1. OVERALL

Monetary policy in 1978 sought to maintain credit and liquidity expansion to support targets of a 7 per cent real growth rate, an increase in prices of no more than 7 per cent and a small balance of payments deficit. Management of the flows and levels of financial resources was undertaken largely through Central Bank open market and rediscounting operations.

Revised interest rate regulations made during the latter part of December 1977 took effect at the beginning of 1978. These included the exemption of time deposits and deposit substitutes with maturities of more than 730 days from interest rate ceilings prescribed in the Usury Law and the setting up of effective ceilings on interest rates and yields on loans and purchases of instruments.

Additional measures were also promulgated during the year to strengthen existing policy tools which included regulations on:

a. *Rediscounting.* Central Bank rediscounting regulations were rationalized to conform with interest rate policy changes adopted earlier. New rediscounting rates, loan values and maximum bank lending rates were prescribed under Circular No. 610. A further amendment to existing regulations on rediscounting was contained in Circular No. 632 which entitled any bank to an increase in its rediscount ceiling to the extent of 50 per cent provided the proceeds were to be used exclusively for the financing of non-traditional exports and/or small-scale industries.

b. *Reserve Requirements.* Reserve requirements on borrowings among banks and non-bank financial intermediaries with quasi-banking functions were reduced from 20 per cent to 5 per cent. Terms and features of government securities eligible as reserves against deposit and deposit substitute liabilities were standardized in Circular No. 638. To be eligible as reserves, government securities should, among others, be non-negotiable.

carry Central Bank support and bear an interest rate of not more than 4 per cent per year. Likewise, time deposits with more than 730 days maturity were made eligible as reserves against deposit substitute liabilities of non-bank financial intermediaries, as contained in Circular Letter dated January 17, 1978.

c. *Bank deposits.* Circular No. 631 was issued on August 21, 1978 which contained the rules and guidelines governing the grant of authority to thrift banks to accept or create demand deposits. Starting July 1978, interest on savings deposits may be compounded daily, monthly or quarterly on the basis of either the average or actual daily balance. Circular No. 611 which prescribed the manner of computing interest on savings deposits disallowed computation on the basis of the lowest monthly balance or any method other than the average or actual daily balance.

d. *Foreign borrowings.* Guidelines pertaining to the Central Bank's consolidated foreign borrowing program were also issued during the year as well as those pertaining to allowable interest rates on foreign borrowings of private entities. Circular No. 641 was issued in November 1978 and enumerated the authorized short-term borrowings such as loans of FCDU's and OBU's to CB certified export-oriented and/or BOI-registered enterprises under the Export Incentives Act .

In September 1978, the Central Bank adopted the auction method in selling its own Certificates of Indebtedness. This move signalled the initial step in rationalizing the terms and features of government securities in order to make them effective instruments of monetary and other government policies. In the same month, the Central Bank also issued Circular No. 624 which contained the guidelines on the Grains Quedan Financing Program.

Other circulars issued in 1978 touched on the day-to-day operations of financial intermediaries such as regulations on banking days and hours; interlocking directorates and officerships in banks and non-bank financial institutions; credit card operations of banks; internal control procedures for dormant/inactive accounts; qualifications of directors and officers of banks and non-banks with quasi-banking functions; and minimum paid-up capital requirements for development banks.

2. DOMESTIC LIQUIDITY

As of the end of 1978, total domestic liquidity reached a new high of ₱51,837 million rising by 18 per cent from its year-ago level. Increased credits of the Central Bank and the commercial banking system accounted for the noted growth rate. Partly offsetting the expansionary effects of domestic credits were the declines in the monetary system's net foreign and net unclassified assets. Likewise, increases in marginal deposits of commercial banks, in capital accounts of the monetary system and

in CBCI holdings of other banks and non-bank financial intermediaries placed a brake on domestic liquidity expansion.

PER CENT DISTRIBUTION OF DOMESTIC LIQUIDITY, 1977 & 1978

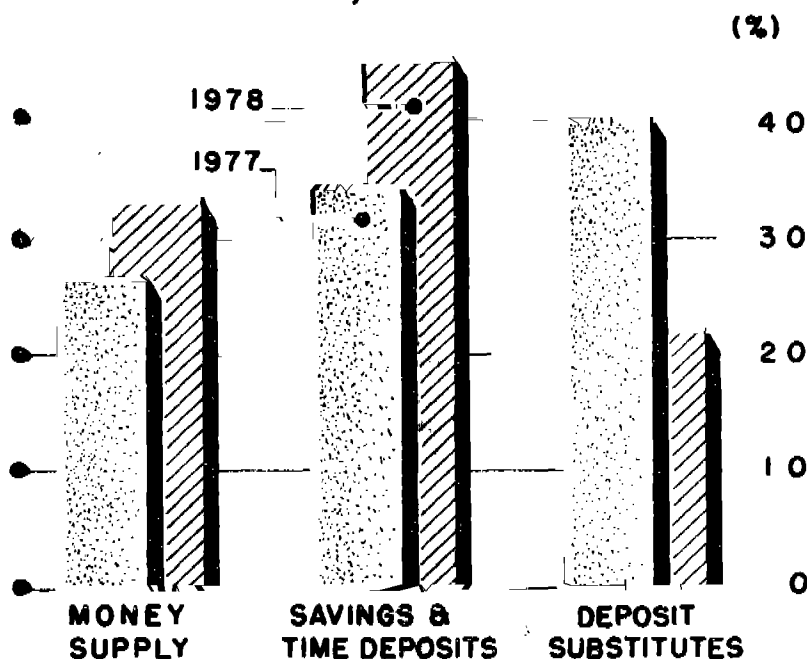


Chart 1

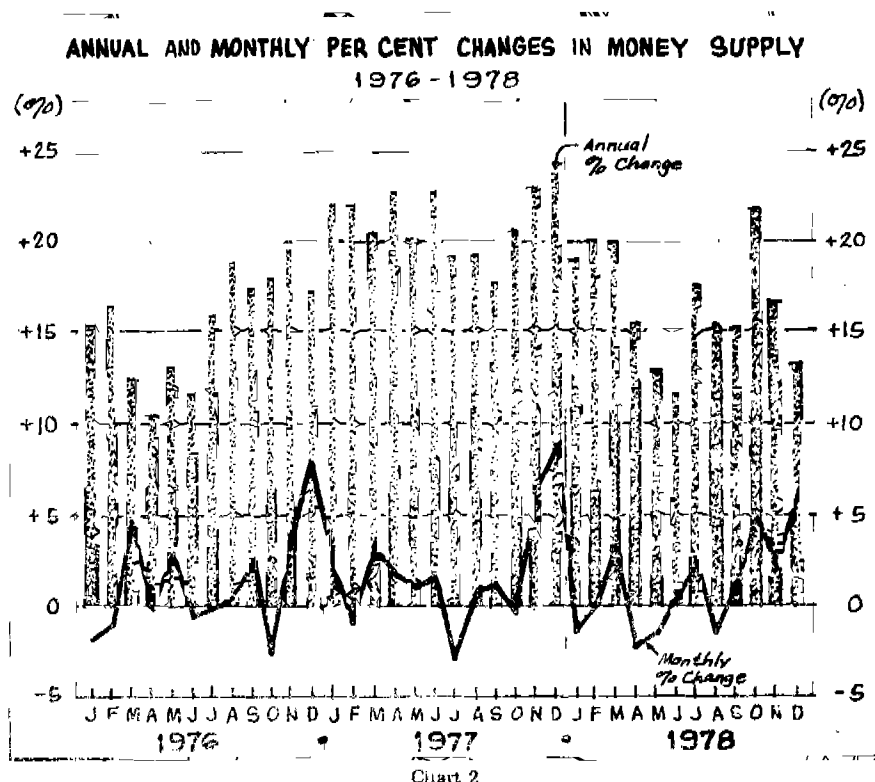
TABLE 1. — DOMESTIC LIQUIDITY
December 31, 1977 and 1978
(Million Pesos)

I t e m	1978	1977	Increase/ (Decrease)
Total Domestic Liquidity	51,837	43,931	7,906
Money Supply	16,945	14,938	2,007
Currency in Circulation	8,135	6,727	1,408
Demand Deposits	8,810	8,211	599
Savings and Time Deposits	23,398	17,593	5,805
Deposit Substitutes	11,494	11,400	94

Total domestic liquidity as of December 1978 took the form of savings and time deposits which accounted for 45 per cent of the total; money supply, 33 per cent; and deposit substitutes, 22 per cent.

Savings and time deposits, at a level of ₱23,398 million, represented an annual acceleration of 33 per cent. Increased interest rates on these deposits and the regulation of rates in the money market were instrumental in channeling more funds in savings and time deposits of banks.

Money supply registered a 13 per cent growth and amounted to ₱16,945 million. This amount could be broken down into money in circulation totalling ₱8,135 million (48 per cent), and demand deposits of ₱8,810 million (52 per cent). The ₱2 billion increase in money supply was internally generated as transactions of the foreign sector, in view of the balance of payments deficit during the year were contractionary. Both private and public sectors contributed to the increase in money stock, due largely to their higher credit availments with the Central Bank and the commercial banking system. The private sector pumped in an additional ₱2,098 million during the year while the public sector added some ₱420 million. Partly cushioning the expansionary impact of domestic credits were the leakages brought about by increments in balances of the National Government, in savings and time deposits and in net miscellaneous accounts of the commercial banking system. The rise in the net foreign exchange liabilities of the monetary system also siphoned off ₱511 million from the money stock.



Deposit substitutes aggregated ₱11,494 million, posting an increase of only 0.8 per cent over their December 1977 level. This reflected a decelerating growth pattern for deposit substitutes as compared to the respective 5 per cent and 13 per cent increases in 1977 and 1976. This may be traced to the adoption starting in 1976 of a number of regulations affecting money market transactions such as their interest rates, minimum placements and tax.

TABLE 2. — FACTORS RESPONSIBLE FOR MONEY
SUPPLY MOVEMENT
December 31, 1977 and 1978
(Million Pesos)

I t e m	Dec. 31, 1978	Dec. 31, 1977	Net Effect on Money Supply 1/
I. MONEY OF INTERNAL ORIGIN			
A. Public Sector			
1. National Government			
a. Securities held by Central Bank	3,536.5a/	3,904.5a/	— 368.0
b. Securities held by the KBS ^{2/}	2,398.4b/	2,542.3b/	— 143.9
c. Central Bank Loans	2,452.9	711.6	+ 1,741.3
d. Loans of the KBS	1,533.5	727.7	+ 805.8
e. Account to secure coinage	34.5	34.5	—
Less: f. Treasury IMF Account	297.2	335.1	+ 37.9
g. Total National Government Balances	3,098.6	1,784.3	— 1,314.3
h. Total savings and time deposits	2,079.4	1,810.1	— 269.3
Total	4,480.6	3,991.1	+ 489.5
2. Local Gov't and Semi-Gov't Entities			
a. Securities held by Central Bank	29.1	87.4	— 58.3
b. Securities held by the KBS ^{2/}	1,923.0	1,341.1	+ 581.9
c. Central Bank loans	712.0	718.6	— 6.6
d. Loans of the KBS	4,504.7	4,707.7	— 203.0
Less: e. Savings and time deposits	1,123.1	729.1	— 396.0
f. Net Misc. Accounts of Central Bank	(1,277.5)	(1,265.1)	+ 12.4
Total	7,321.2	7,390.8	— 69.6
Total Public Sector	11,801.8	11,381.9	+ 419.9
B. Private Sector			
a. Loans, discounts overdrafts and customers' liability acceptances of the KBS	48,031.1	37,622.9	+ 10,408.2

TABLE 2. — FACTORS RESPONSIBLE FOR MONEY
SUPPLY MOVEMENT (Concluded)
December 31, 1977 and 1978
(Million Pesos)

I t e m	Dec. 31, 1978	Dec. 31, 1977	Net Effect on Money Supply1/
b. CB loans to DBP, SBs, non-DDRBs and repurchase agree- ments of non-banks ..	3,266.7	2,627.9	+ 638.8
c. Security holdings of the KBS	127.9	336.6	— 208.7
d. CB holdings of DBP bonds	—	31.0	— 31.0
Less: e. Savings and time deposits	22,272.7	16,864.0	—5,408.7
f. Marginal deposits	2,837.2	2,222.5	— 614.7
g. Deposit Substi- tutes	11,493.9	11,399.5	— 94.4
h. Net Misc. Accounts of the KBS	9,082.2	6,491.0	— 2,591.2
Total Private Sec- tor	5,739.7	3,641.4	+ 2,098.3
C. Total Public and Private Sectors	17,541.5	15,023.3	+ 2,518.2
II. MONEY OF EXTERNAL ORIGIN			
a. Gross Foreign Ex- change Assets of the CB3/	14,574.1	11,858.6	+ 2,715.5
b. Gross Foreign Ex- change Assets of the KBS	9,819.0	5,485.0	+ 4,334.0
Less: c. Foreign Exchange Liabilities of the CB4/	7,364.1	6,889.6	— 475.5
d. Foreign Exchange Liabilities of the KBS	17,625.0	10,538.8	—7,086.2
Total Net Foreign Exchnge As- sets	(596.0)	(84.8)	— 511.2
III. MONEY SUPPLY	16,945.5	14,938.5	+2,007.0

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/ Includes accrued interest receivables for consistent reporting.

4/ Includes RP-Japan Commodity Loans and IBRD-RB Loans, CBCI-FC and Cir. 343.

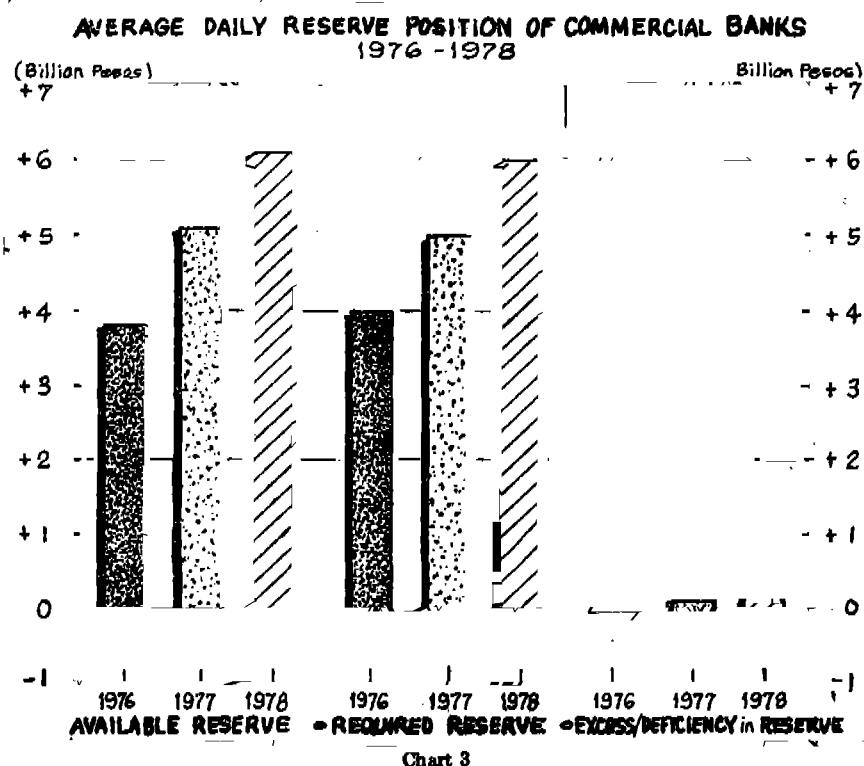
a/ Excludes Treasury Notes against Japanese Commodity Loan amounting to P1,326.0 million (December 1978), P1,162.9 million (December 1977)

b/ Excludes PNB capital notes issued by the National Government as subscription payment amounting to P515.0 million.

3. RESERVE POSITION OF COMMERCIAL BANKS

The progressive increase in deposit liabilities of commercial banks was more than covered by the growth in their available reserves enabling the system to maintain its liquid position throughout the year. Monthly excess reserves were consistently reflected ranging from a low of ₱140.0 million to a high of ₱435.3 million. This development indicated that commercial banks' sources of funds were more than adequate to service their increased lending operations without dipping into reserves against deposits.

Wide fluctuations characterized the month to month movement of excess reserves. The ratio of excess reserves to total deposits varied from 0.5 per cent to 1.5 per cent, with slightly higher ratios prevailing during the first six months except March. This could be partly attributed to the quarterly financial statement presentation and to advance positioning for mid-April income tax payments.



On the other hand, the lower ratios obtained during the second semester resulted from the tightening felt during the months of November and December when excess reserves

dropped from the October average of ₱249.4 million to ₱150.4 million and finally, to ₱140.4 million. As demand for liquidity mounted during November, interbank call loan availments increased by 46 per cent while interest rates shot up from 11.122 per cent to 13.019 per cent, representing a monthly growth rate of 17 per cent. Call loan rates moved up further in December to 13.221 per cent while volume decreased slightly by 1 per cent.

The reduction in excess reserves in December placed commercial banks in a relatively less liquid position compared to December of 1977. Deposit liabilities which averaged ₱29,941.4 million posted an annual growth rate of 20.6 per cent or ₱5,114.7 million necessitating an equal percentage increase in mandatory reserves of ₱1,022.0 million. Meanwhile, available reserves grew at a slower pace of 19.8 per cent to ₱6,121.9 million, composed of deposit balances with the Central Bank (46 per cent), cash in banks' vaults (18 per cent), and government securities (36 per cent).

TABLE 3.—AVERAGE DAILY RESERVE POSITION
OF COMMERCIAL BANKS
1977 and 1978
(Million Pesos)

I t e m	1978	1977
Deposit Liabilities	29,941.4	24,826.7
Available Reserves	6,121.9	5,109.8
Deposit Balance with CB	2,829.3	1,675.1
Cash in Bank vaults	1,074.5	930.0
Government Securities	2,212.9	2,501.5
Foreign Balances	5.2	3.2
Required Reserves	5,981.5	4,959.5
Excess/Deficiency in Reserves	140.4	150.3
Liquidity Ratios (In per cent of Deposit Liabilities):		
Available Reserves	20.4	20.6
Required Reserves	20.0	20.0
Excess/Deficiency in Reserves	0.4	0.6

4. CREDIT OPERATIONS

a. *Domestic Credits Outstanding of the Monetary System*

Domestic credits outstanding of the monetary system rose by ₱11,611 million on an annual basis, reaching ₱63,075 million by end-December 1978. The rate of growth in bank credits during the year (23 per cent) was greater than in 1977 (18 per cent). This reflected a policy to allow credits to increase to higher levels in order to compensate for the deflationary influence of

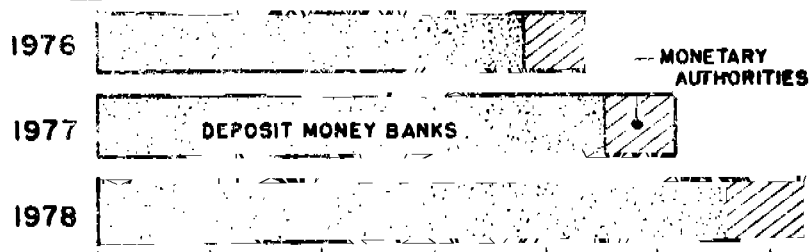
a balance of payments deficit on domestic liquidity and to stimulate, on a selective basis, productive and other priority sectors of the economy.

TABLE 4. — DOMESTIC CREDITS OUTSTANDING OF THE MONETARY SYSTEM BY TYPE OF CREDIT AND SOURCE
December 31, 1976 — 1978
(Million Pesos)

I t e m	1976	1977	1978
Monetary Authorities	5,556.7	6,294.7	7,105.0
Loans & Advances	3,339.1	4,092.6	6,466.1
Domestic Securities	3,184.9	3,687.8	3,268.4
Less: Government Deposits	967.3	1,485.7	2,629.5
Deposit Money Banks	38,121.0	45,169.6	55,970.1
Loans	37,170.2	43,058.3	54,069.3
Domestic Securities	6,965.7	9,452.4	11,357.9
Less: Gov't Deposits	2,095.1	2,108.7	2,548.5
CBCIs	3,919.8	5,232.4	6,908.6

DOMESTIC CREDITS OUTSTANDING OF THE MONETARY SYSTEM, DEC. 31, 1976 - '78

BY SOURCE



BY END-USER

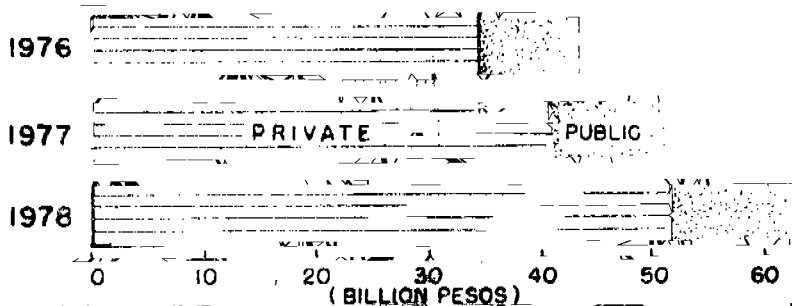


Chart 4

Classification of bank credits by end-user revealed public sectors credits moving up by ₱804 million on an annual basis, reaching ₱11,649 million by the end of the year. The aggregative growth of credits was brought about mainly by inward net credit availments of the National Government totalling ₱489 million and the rise in semi-government entities' indebtedness from commercial banks.

In comparison, the share of the private sector rose from 79 per cent in 1977 to 82 per cent in 1978. This resulted as private credits increased from ₱40,618 million in 1977 to ₱51,426 million in 1978, or by 27 per cent. Net lending operations of deposit money banks to the private sector went up by ₱10,200 million while outstanding credits of the monetary authorities moved up by ₱608 million.

TABLE 5. — DOMESTIC CREDITS OUTSTANDING OF THE MONETARY SYSTEM BY SOURCE AND END-USER
December 31, 1976-1978
(Million Pesos)

I t e m	1976	1977	1978
T O T A L	43,677.7	51,464.3	63,075.1
<i>By Source</i>			
Monetary Authorities	5,556.7	6,294.7	7,105.0
Deposit Money Banks	38,121.0	45,169.6	55,970.1
<i>By End-User</i>			
Public ^{1/}	8,774.3	10,845.9	11,649.4
Private	34,903.4	40,618.4	51,425.7

1/ Public Sector includes Philsucom and Philex.

i. Central Bank Credits

Meanwhile, classification by source showed that the credit portfolio of the Central Bank expanded by 13 per cent, reaching ₱7,105 million as of the end of 1978. The rise of ₱810 million was brought about mainly by additional loans of the monetary authorities to the National Government (up by ₱1,411 million); non-demand deposit rural banks (up by ₱304 million); Land Bank (up by ₱102 million) and the DBP (up by ₱232 million). This was partly offset by the increase in National Government deposits (up by ₱1,144 million) and the net disposition of government securities from the Central Bank portfolio.

ii. Commercial Banking System

Credits outstanding of the commercial banking system rose by 24 per cent and aggregated ₱55,970 million by year end 1978. Conversely with the Central Bank's share, the proportion of de-

posit money banks' credits to the total expanded from 87.8 per cent in 1977 to 88.7 per cent in 1978.

The commercial banking system's loan portfolio aggregating ₱54,069 million by year-end, expanded by ₱11,011 million or 26 per cent. Increased lending operations were reflected in the loan accounts of private business and individuals (up by ₱10,408 million) and the National Government (up by ₱806 million) while loans to semi-government entities dropped by ₱204 million.

Meanwhile, outstanding holdings of domestic securities by deposit money banks net of CBCI issues also expanded by ₱229 million or 5.4 per cent. This was due to the net purchase of ₱582 million worth of semi-government entities' securities which more than compensated for decrements in their holdings of National Government securities totalling ₱144 million and private securities amounting to ₱209 million.

On the other hand, the ₱439 million increase in government deposits provided a slight contractionary influence to the upward movement in the commercial banking system's credit portfolio.

iii. Industry Distribution of Commercial Bank Credits

Classified as to economic activity, the bulk (or 32 per cent) of commercial banks' credits* as of September 1978 were chan-

* Based on a different set of reports.

TABLE 6. — TOTAL CREDITS OUTSTANDING OF
COMMERCIAL BANKS
Classified by Economic Activity (or Industry)
As of December 31, 1977 and September 30, 1978
(Million Pesos)

Economic Activity (or Industry)	Sept. 30 1978	Dec. 31 1977	Per Cent Distribution	
			1978	1977
TOTAL	47,188.0	40,172.9	100.0	100.0
Agriculture, Fishery & Forestry	4,993.0	5,253.0	10.6	13.1
Mining and Quarrying	1,694.0	1,577.5	3.6	3.9
Manufacturing	15,243.0	13,126.3	32.3	32.7
Construction	1,238.2	679.9	2.6	1.7
Public Utility	1,476.9	916.2	3.1	2.3
Services	3,160.8	1,883.4	6.7	4.7
Trade	13,750.0	11,714.2	29.1	29.2
Banks & Other Financial Institutions	2,532.0	2,450.4	5.4	6.1
Real Estate	2,198.0	2,017.4	4.7	5.0
Government Services	892.4	494.2	1.9	1.2
Others	9.7	60.4	—	0.1

neled to the manufacturing industry, followed by trade (29 per cent), agriculture, fishery and forestry (11 per cent), services (6.7 per cent), banks and other financial institutions (5.4 per cent), mining and quarrying (3.6 per cent), construction (2.6 per cent), real estate (4.7 per cent) and public utility and others (5.0 per cent).

TOTAL CREDITS OUTSTANDING OF COMMERCIAL BANKS, 1977 & 1978

(BILLION PESOS)

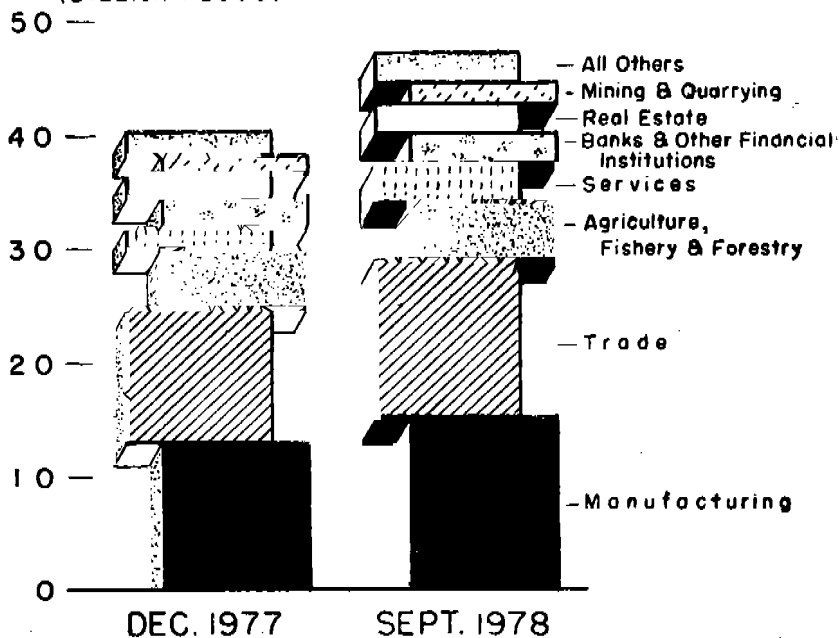


Chart 5

b. Credit Operations of Other Banking Institutions

i. Rural Banks

Total loans outstanding of the rural banking system expanded by 16 per cent over a period of nine months to reach a level of ₱3,269 million as of end-September 1978. The increment was due mainly to the increasing participation of rural banks in financing rice and fishery production programs and other special priority projects. Thus, loans receivable for agricultural purposes aggregating ₱2,984 million rose by almost 15 per cent and accounted for 91 per cent of total loans outstanding. Loans outstanding for commercial, industrial and other purposes recorded increases ranging from 14 per cent to 82 per cent.

PER CENT CHANGES IN LOANS OUTSTANDING OF RURAL BANKS
DEC. 31, 1977 to SEPT. 30, 1978

(Per Cent)

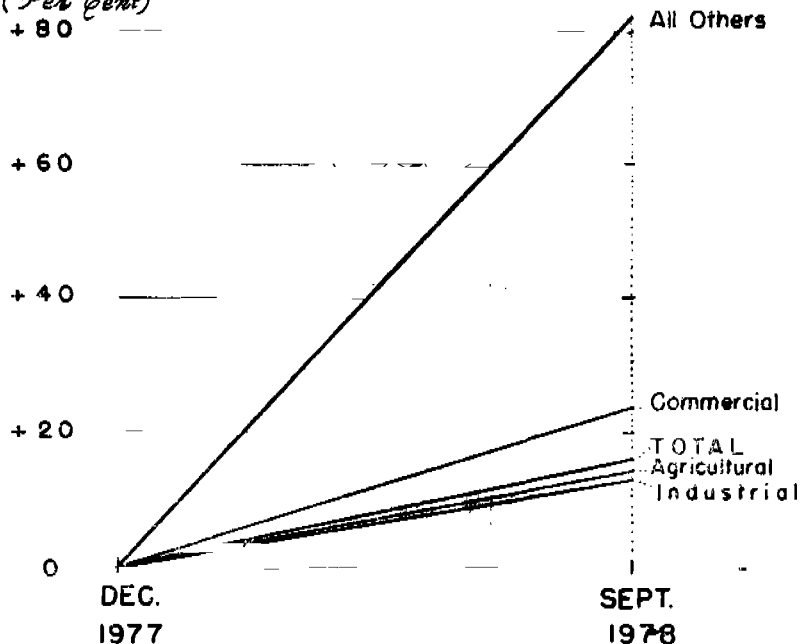


Chart 6

TABLE 7. — LOANS OUTSTANDING OF RURAL BANKS
Classified by Purpose, 1977 and 1978
(Amount in Million Pesos)

Purpose	Sept. 30, 1978	Dec. 31, 1977	Change		% Distribution	
			Amount	Per Cent	1978	1977
TOTAL	3,269.0	2,821.0	448.0	15.9	100.0	100.0
Agricultural	2,984.4	2,597.1	387.3	14.9	91.3	92.1
Commercial	151.4	123.0	28.4	23.1	4.6	4.4
Industrial	84.4	74.1	10.3	13.9	2.6	2.6
Others	48.8	26.8	22.0	82.1	1.5	0.9

ii. Thrift Banks

As of end-September 1978, total loans outstanding of thrift banks amounting to ₱3,391 million posted a 19 per cent gain over the December 1977 level of ₱2,861 million. This amount comprised loans outstanding of savings banks (₱2,284 million), private development banks (₱504 million) and stock savings and

loan associations (P603 million). About 56 per cent of the overall expansion originated from increases in loans outstanding for agricultural and real estate purposes.

LOANS OUTSTANDING OF THRIFT BANKS

Classified by Purpose

DEC. 31, 1977 to SEPT. 30, 1978

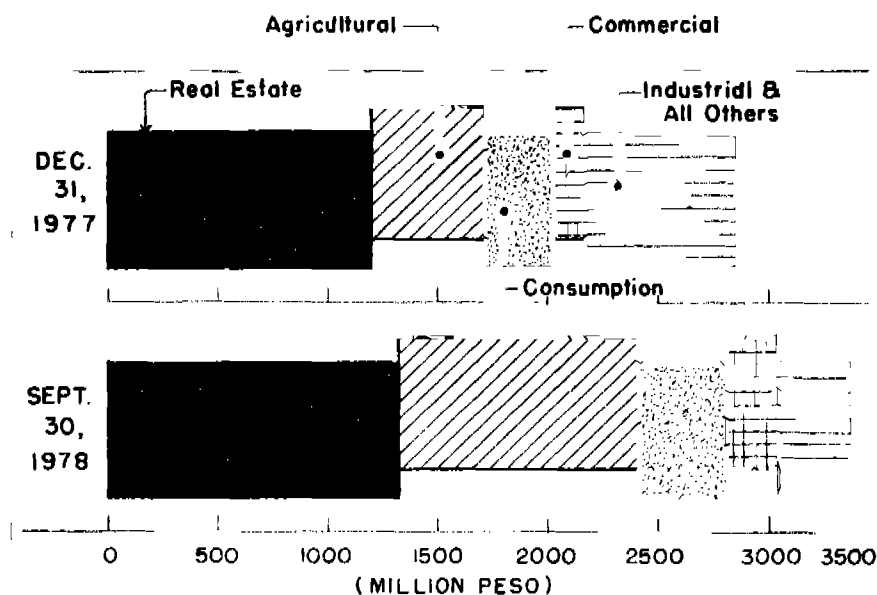


Chart 7

TABLE 8. — LOANS OUTSTANDING OF THRIFT BANKS
Classified by Purpose, 1977 and 1978
(Amount in Million Pesos)

Purpose	Sept. 30, 1978	Dec. 31, 1977	Increase Decrease (—)		% Distribution	
			Amount	Per Cent	1978	1977
TOTAL	3,391.3	2,860.7	530.6	18.6	100.0	100.0
Agricultural	683.9	521.7	162.2	31.1	20.2	18.2
Commercial	213.4	148.5	64.9	43.7	6.3	5.2
Industrial	213.1	190.8	22.3	11.7	6.3	6.7
Real Estate	1,325.1	1,190.4	134.7	11.3	39.1	41.6
Consumption	403.0	314.1	88.9	28.3	11.9	11.0
Others ^{1/}	552.8	495.2	57.6	11.6	16.3	17.3

^{1/} Including bills purchased, interbank loans receivable, trading accounts securities, mortgage contract receivable, past due items, items in litigation and other loans.

Credit operations of specialized banks (comprising DBP, Land Bank and Philippine Amanah Bank) continued to expand as loans outstanding reached a level of ₱12,233 million at end-September 1978, marking an increase of 18 per cent over a period of one year. Agricultural purpose loans went up by 18 per cent, commercial purpose loans by 143 per cent, real estate purpose loans by 314 per cent, and other purpose loans by 29 per cent. However, industrial purpose loans experienced a short-fall of about 41 per cent.

TABLE 9. — LOANS OUTSTANDING OF SPECIALIZED BANKS
Classified by Purpose, 1977 and 1978

(Amount in Million Pesos)

Purpose	Amount		Changes		Per Cent Distribution	
	Sept. 30 1978	Sept. 30 1977	Amount	Per Cent	1978	1977
Total	12,233.1	10,343.3	1,889.8	18.3	100.0	100.0
Agriculture	2,947.6	2,499.7	447.9	17.9	24.1	24.2
Commercial	46.4	19.1	27.3	142.9	0.4	0.2
Industrial	3,616.2	6,076.3	-2,460.1	-40.5	29.6	58.7
Real Estate	2,058.8	497.2	1,561.6	314.1	16.8	4.8
Consumption	—	—	—	—	—	—
Others	3,564.1	1,251.0	2,313.1	184.9	29.1	12.1

Note: Consisting of DBP, Land Bank of the Philippines and Philippine Amanah Bank. Data for LBP & PAB are based on Form CBP 5-17-01 & 5-17-02 (Revised, Sept. 1, 1977 and are exclusive of past due items, items in litigation, domestic bills—clean, and foreign bills—clean.

c. Credit Operations of Other Financial Institutions

i. Government Non-Bank Financial Institutions

Credit operations of government non-bank financial institutions also reflected an expansionary lending policy. As of end-September 1978, total outstanding credits reached a level of ₱11,224 million, higher than the year-end 1977 level of ₱9,839 million by 14 per cent. Loans outstanding by the GSIS, ACA, SSS and NIDC expanded from ₱8,139 million to ₱8,887 million or 9 per cent over a period of nine months. Outstanding investments similarly recorded increases totalling 38 per cent for the nine month period. Total credits extended by government financial institutions were released for the following purposes: agricultural (2 per cent of the total); industrial (9 per cent); commercial (1 per cent); public utility (2 per cent); real estate (10 per cent); consumption (22 per cent); and others (54 per cent).

TABLE 10. — DOMESTIC CREDITS OF GOVERNMENT NON-BANK FINANCIAL INSTITUTIONS

Sept. 1977; Dec. 1977 and Sept. 1978

(Million Pesos)

Insti- tution	September 30, 1978			December 31, 1977			September 30, 1977			P E R C E N T C H A N G E S					
										Sept. '78/Sept. '77			Sept. '78/Dec. '77		
	TOTAL	Loans	Invest- ments	TOTAL	Loans	Invest- ments	TOTAL	Loans	Invest- ments	TOTAL	Loans	Invest- ments	TOTAL	Loans	Invest- ments
Total	11,224.4	8,886.9	2,337.5	9,838.8	8,139.3	1,699.5	9,473.9	7,687.0	1,786.9	14.1	9.2	37.5	18.5	15.6	30.8
ACA	588.1	273.6	314.5	273.4	267.9	5.5	562.8	261.3	301.5	115.1	2.1	5,618.2	4.5	4.7	4.3
GSIS	4,636.1	3,435.1	1,201.0	4,324.9	3,395.0	929.9	4,070.2	3,235.7	834.5	7.2	1.2	29.2	13.9	6.2	43.9
SSS	5,434.0	4,673.0	761.0	4,729.0	3,972.0	757.0	4,304.5	3,688.3	616.2	14.9	17.6	0.5	26.2	26.7	23.5
NIDC ^{1/}	566.2	505.2	61.0	511.5	504.4	7.1	536.4	501.7	34.7	10.6	0.2	759.2	5.6	0.7	75.8

^{1/} Domestic credits of NIDC are computed net of inter-non-bank transactions.

TABLE 11.—DOMESTIC CREDITS OF PRIVATE NON-BANK FINANCIAL INSTITUTIONS
Sept. 1977, Dec. 1977 and Sept. 1978
(Million Pesos)

Institution	September 30, 1978			December 30, 1977			September 30, 1977			PER CENT CHANGES					
										Sept. '78/Dec. '77			Sept. '78/Sept. '77		
	TOTAL	Loans	Investments	TOTAL	Loans	Investments	TOTAL	Loans	Investments	TOTAL	Loans	Investments	TOTAL	Loans	Investments
TOTAL	22,863.5	10,559.6	12,303.9	17,041.1	8,408.5	8,632.6	15,172.1	7,391.0	7,781.1	34.2	25.6	42.5	50.7	42.9	58.1
Investment Houses ^{1/} ..	3,555.6	1,620.7	1,934.9	3,475.7	1,456.5	2,019.2	3,641.5	1,417.7	2,223.8	2.3	11.3	— 4.2	— 2.4	14.3	—13.0
Financing Companies ^{1/}	5,864.8	4,749.0	1,115.8	4,609.4	4,102.6	506.8	4,546.3	3,899.6	646.7	27.2	15.8	120.2	9.0	21.8	72.5
Investment Companies ^{1/}	3,367.2	1,093.7	2,273.5	587.4	331.4	256.0	264.9	125.1	139.8	473.2	230.0	788.1	1,171.1	774.2	1,526.3
Securities Dealers/ Brokers ^{1/} ..	910.6	584.7	325.9	633.4	393.3	240.1	330.1	89.1	241.0	43.8	48.7	35.7	175.8	556.2	35.2
Lending Investors	14.9	13.4	1.5	12.2	11.3	0.9	13.5	11.0	2.5	22.1	18.6	66.7	10.4	21.8	—40.0
Pawnshops ..	157.6	157.0	0.6	137.2	135.2	2.0	141.5	139.4	2.1	14.9	16.1	— 70.0	11.4	12.6	—71.4
Fund Managers	4,923.1	910.8	1,012.3	4,085.6	755.6	3,330.0	3,426.3	640.9	2,785.4	20.5	20.5	20.5	43.7	42.1	44.0
Non-Stock Savings & Loan Associations	162.1	158.8	3.3	128.6	123.5	5.1	117.3	114.3	3.0	26.1	28.6	— 35.3	38.9	38.9	10.0
Building & Loan Associations	13.8	13.8	—	14.9	14.9	—	14.4	14.4	—	— 7.4	—7.4	—	— 4.2	— 4.2	—
Private Insurance Companies	3,893.8	1,257.7	2,636.1	3,356.7	1,084.2	2,272.5	2,678.3	939.5	1,736.8	16.0	16.0	16.0	45.5	33.9	51.8

^{1/} Domestic credits of NIDC are computed net of inter-non-bank financial transactions.

ii. Private Non-Bank Financial Institutions

Outstanding credits of private non-bank financial institutions^{1/} continued to grow, reaching a level of ₱22,864 million as of end-September 1978, increasing by 34 per cent and 51 per cent over their respective levels nine months ago and a year before. These increments were brought about largely by advances in outstanding credits of finance companies, investment companies, fund managers and private insurance companies. On a nine-month basis, loans outstanding totalling ₱10,560 million at the end of September 1978 expanded by 26 per cent while investments which stood at ₱12,304 million rose by about 43 per cent. Over a period of one year, loans receivable and investments went up by 43 per cent and 58 per cent, respectively.

5. CAPITAL AND MONEY MARKETS

a. *Capital Market*

In 1978, newly-formed firms registered with the Securities and Exchange Commission and the Bureau of Domestic Trade aggregated 34,256^{a/}. The capital investment put up by these firms, the bulk of which came from domestic resources, augmented the funds available in the economy by the amount of ₱2,932 million funnelled mostly to the financing, insurance and real estate, and the wholesale and retail trade industries.

Compared to 1977, fewer firms were registered during the year but the new capital generated was larger by 47 per cent. The rise in capital invested may to some extent be indicative of a shifting to equity from money market investments in view of the lower interest rates prevailing during the year and the effect of various government incentives. Single-proprietorship enterprises, which accounted for 62 per cent of the total number of firms, contributed ₱1,822 million. Corporate investors put in an additional ₱1,032 million while partnerships accounted for investments of ₱78 million.

Classified by nationality, Filipinos continued to be the primary investors contributing ₱2,887 million total paid-in capital, and thus maintaining their 98 per cent share of total investments. The Chinese share likewise increased from 0.6 per cent to 0.8 per cent, but American investments went down from a 0.2 per cent share to a mere 0.1 per cent. In terms of absolute amounts invested, Americans put up an additional ₱3.3 million which was ₱1.4 million lower than what they had invested a year ago. This decline, however was more than made up by increases in other foreign investments which came mostly from Chinese entrepreneurs.

1/ Composed of investment houses, financing companies, investment companies, securities dealers/brokers, lending investors, pawnshops, fund managers, non-stock savings and loan associations and private insurance companies.

a/ November

TABLE 12.—CAPITAL INVESTMENTS OF NEWLY-REGISTERED
BUSINESS ORGANIZATIONS

1977 and 1978

I t e m	1978*	1977
NUMBER:		
Total	34,256	32,259
Corporations	4,592	4,596
Partnerships	999	1,237
Single Proprietorships	28,665	21,426
PAID-IN CAPITAL, (Million pesos)	3,265.4	1,972.9
Classified by Nationality	2,931.9	
Filipinos	2,887.3	1,941.1
Americans	3.3	4.7
Chinese	24.1	11.1
Japanese	3.3	1.2
German	0.7	—
Others	13.2	14.8

* As of November, 1978

b. *Money Market*

Money market transactions during 1978 indicated a higher volume turnover and a lower cost of borrowing compared to 1977. Overall transactions, which remained predominantly of short-term duration, reached ₱235,801 million, up by ₱25,036 million or 12 per cent from last year's total. The relative liquidity which prevailed during the year was brought about largely by greater availability of funds coming from foreign borrowings, export proceeds, liberalized Central Bank rediscounting facilities and the expansionary operations of the National Government.

The general weighted average interest rate fell from 12.588 per cent to 10.721 per cent following the recent lowering of yields. The monthly movements, however, exhibited divergent trends reflecting a condition of relative ease during the first half and increasing tightness during the second part of the year. Exceptions to the relaxed condition in the market during the first semester were observed in March and May when weighted average rates shot up to 10.013 per cent and 11.144 per cent, respectively. These isolated upswings in rates coupled with increases in volume transacted could be attributed partly to the seasonal demand by commercial banks for more funds to cover their reserve deficiencies, a condition manifested in the corresponding rise of call loan rates during these periods.

A tighter market prevailed during the second semester, particularly in September and December when volume was at its lowest and cost of borrowing was at its peak. This condition had been precipitated by the settlement of corporate income taxes and was aggravated by huge oil remittances.

By instrument, money market trading showed that institutional placers continued to prefer promissory notes, which on the average constituted 60 per cent of total volume. However, while promissory notes posted a 13 per cent increment, Treasury Bills and DBP Bonds also increased sixfold. Treasury Bills and DBP Bonds offered a relatively higher yields of 10.929 per cent and 12.442 per cent, respectively. Furthermore, while rates of all other instruments went down by .197 per cent to 2.731 percentage points, yields of both Treasury Bills and DBP Bonds appreciated by .969 and .408 percentage point.

TABLE 13. — MONEY MARKET TRANSACTIONS
1977 and 1978

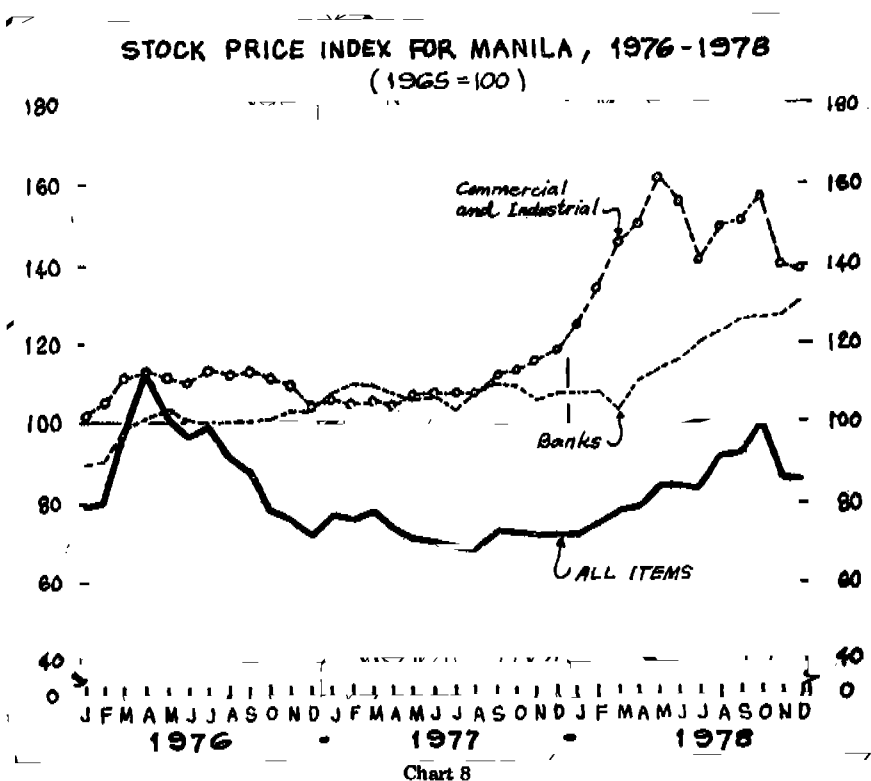
Type of Instrument	Volume (Million Pesos)		Weighted Average Interest Rate (%)	
	1978	1977	1978	1977
ALL INSTRUMENTS	235,801.3	210,765.0	10.721	12.588
Interbank Call Loans	18,070.9	17,833.1	10.483	11.976
Promissory Notes	158,901.4	140,610.7	10.594	12.533
Repurchase Agreements (Private)	21,483.8	22,715.6	11.337	13.445
Repurchase Agreements (Government)	25,908.6	17,655.2	10.923	12.268
Certificates of Assign- ment (Private)	180.0	379.4	12.386	14.269
Certificates of Assign- ment (Government) ...	—	6.1	—	11.333
Certificates of Partici- pation (Private)	318.2	200.0	10.255	12.660
Commercial Papers (Non-Financial)	7,232.4	8,199.8	11.392	13.569
Commercial Papers (Financial)	748.2	762.7	11.263	13.994
C B C I s	1,948.6	2,165.2	10.227	10.945
Treasury Bills	847.2	118.9	10.929	9.960
DBP Bonds	83.0	19.0	12.442	12.034
Other Government Securities	79.0	99.3	10.033	10.230

c. Stock Market

After the business slack experienced last year, the stock market bounced back as total shares transacted in the Manila, Makati, and Metropolitan stock exchanges increased by 17.5 per cent to 153.287 million, the peso value of which leaped by 113.3

per cent to ₱5,367.7 million. Share prices likewise appreciated steadily averaged ₱.035 per share in 1978, ₱.015 higher than the ₱.019 average obtained in 1977.

Commercial-industrial issues which generally get relegated to the background when set against the more active, speculative shares, gained strength during the year. The sudden switch of interest to these issues was precipitated by the declaration of handsome dividends by several companies thereby boosting their prices in the market. The stock price index of commercial and industrial issues in Manila rose from 108.9 (1965=100.0) in 1977 to 145.8 during the current year, reflecting a 34 per cent improvement. The sector contributed 21 per cent of the total value of transactions or ₱1,126.4 million representing 3,463 million shares.



After experiencing a bearish season during the early part of the year, the mining sector recovered and realized a 43 per cent increase in volume transacted, the highest annual growth rate recorded during 1978. Representing 38 per cent of the total, mining issues responded well to the higher gold and copper prices quoted abroad, thus again ensuring the profitability of mining operations. The mining index, which exhibited a slow but continuous price appreciation, opened at 48.4 (1965=100.0) in

January and closed at 60.2. Compared to 1977, a fractional rise of 0.2 per cent was posted.

The oil board also kept up with the general pace of rising prices and higher volume turnover. Total value output reached ₱2,369.6 million while number of shares traded aggregated 92,196 million, exhibiting 68.9 per cent and 6.2 per cent increases in value and volume, respectively. This tempo in oil board trading was boosted by encouraging developments in the country's oil exploration ventures.

TABLE 14. — STOCK MARKET TRANSACTIONS IN MANILA, MAKATI AND METROPOLITAN STOCK EXCHANGES

1977 - 1978

I t e m	1978	1977
Volume (million shares)	153,287.2	130,439.1
Commercial/Industrial	3,462.9	3,415.1
Mining	57,628.8	40,248.7
Oil	92,195.5	86,775.3
Value (Million pesos)	5,367.7	2,516.9
Commercial/Industrial	1,126.4	232.1
Mining	1,871.7	881.9
Oil	2,369.6	1,402.9

TABLE 15. — STOCK PRICE INDEX IN MANILA, 1977 AND 1978

(1965=100)

I t e m	1978	1977	Per Cent Change
ALL ITEMS	84.4	72.9	15.8
Banks	118.0	107.2	10.0
Insurance	76.2	76.2	—
Commercial/Industrial	145.8	108.9	33.9
Mining	55.7	55.6	0.2
Sugar	58.5	69.6	—15.9

6. PUBLIC FINANCE

a. Cash Operations of the National Government

Cash operations of the government continued to be a major complementary tool, alongside monetary policy, in the pursuance of national development and economic stability. The more active role assumed by the National Government since the onset of global recession in the mid-seventies was reflected by attendant increases in cash disbursements and receipts which in 1978 resulted in an overall current deficit of ₱1,090 million.

Cash disbursements of the National Government rose to ₱31,065 million, 17 per cent more than the level last year. Operating expenditures decreased from a share of 67 per cent to 62 per cent of total expenditures during the year, while capital outlays, including infrastructure and capitalization, increased from a proportion of 19 per cent to 20 per cent. Interest payments against public debt maintained their previous year's allotment of 3 per cent as all other miscellaneous expenditures accounted for the balance.

Cash receipts of ₱29,975 million reflected a faster growth of 21 per cent arising mainly from the increase in collections of income taxes, excise taxes and import duties. Although indirect taxes continued to account for the bulk of tax revenues, there was some improvement in the share of direct taxes as net income taxes increased by 25 per cent in 1978. On the other hand, a lower dependence on foreign trade taxes was observed with the share of export and import duties declining from 25 per cent to 23 per cent of total taxes.

Notwithstanding the increase in revenues, total disbursements exceeded available funds by 4 per cent for a cash deficit of ₱1,090 million, which however was lower by ₱744 million than the deficit last year. Net borrowings of the National Government expanded to ₱2,723 million, higher by 13 per cent than in the previous year. Of the amount, 39 per cent financed the current deficit while the remaining 61 per cent or ₱1,693 million shored up the cash balances of the National Government.

At the end of December 1978, National Government balances aggregated ₱8,799 million, 24 per cent more than last year's outstanding level. Of the current cash balances, a substantial 51 per cent was deposited with specialized government banks, 25 per cent with the Central Bank, 24 per cent with commercial banks, and less than 1 per cent with the Treasury vault and Treasury field cashier.

TABLE 16. — AGGREGATE CASH OPERATIONS OF THE
NATIONAL GOVERNMENT
1977 and 1978

(Million Pesos)

I t e m	1978p/	1977
A. Current Operational Transactions		
Operating Receipts	29,974.9	24,802.6
Bureau of Internal Revenue	11,924.4	10,116.4
Customs	7,486.0	6,282.3
Others (net of non-income receipts)	10,564.5	8,403.9
Disbursements	31,064.9	26,636.2
Current Operating	19,321.0	17,782.4
Capital	6,281.8	5,048.6
Interest Payments	1,037.8	898.1
Others	4,424.3	2,907.1
Surplus/Deficit (—)	—1,090.0	— 1,833.6
B. Financial Transactions	2,782.7	2,469.5
Debt Redemption	9,004.4	7,299.4
Sinking Fund	938.0	396.7
Treasury Bills	5,859.6	3,996.7
Treasury Notes	812.3	614.7
Treasury Bonds	107.9	961.9
Capital Treasury Bonds	204.0	—
Treasury Capital Notes	200.0	—
Other Government Securities	233.4	359.2
Loans and Advances	600.0	500.0
Foreign Loans/Securities	49.2	470.2
Borrowings	11,787.1	9,768.9
Treasury Bills	5,794.2	4,571.1
Treasury Notes	727.9	1,591.5
Treasury Bonds	435.3	766.7
Treasury Capital Bonds	55.4	—
Treasury Capital Notes	200.0	—
Other gov't securities	400.9	1,015.3
Loans and Advances	1,500.0	800.0
Foreign Loans/Securities	2,673.4	1,024.3
C. Net Cash Transactions	1,692.7	635.9
D. Status of Cash Balance		
Beginning, January 1	7,106.4	6,470.5
Ending, December 31	8,799.1	7,106.4
Change in Status	1,692.7	635.9

SOURCE OF BASIC DATA: Bureau of the Treasury

b. Internal Public Debt

Outstanding internal public debt as of year-end 1978 registered a balance of approximately ₱32,530 million which made up 48 per cent of total public debt. From last year's level of ₱27,365 million, current internal borrowings rose by 19 per cent as a result of increments in government securities of ₱3,492 million and loans of ₱1,674 million. Of the net expansion, 58 per cent was attributed to the National Government, 33 per cent to monetary institutions, 8 per cent to government corporations, and 1 per cent to local governments.

Government securities amounting to ₱28,085 million comprised a substantial proportion (86 per cent) of total internal debt. Proceeds of the principal securities issued, (Treasury Bonds, Treasury Notes, Treasury Bills, Treasury Capital Bonds, and PW & ED Bonds), were allocated mainly to infrastructure projects which included nuclear power plants, thermal, hydro-electric and electrification plants, fertilizer and pig iron smelting plants, roads, waterworks, irrigation units and ports. Also drawn from these funds were amounts earmarked to refinance matured Treasury Notes, cover requirements of the RP-Japan Commodity Loan Agreements and for subscription payments to the capital stock of the Development Bank of the Philippines. Meanwhile, outstanding CBCI's issued domestically by the Central Bank aggregated ₱9,907 million at the end of the year.

Outstanding public loans amounting to ₱4,445 million shared a relatively smaller proportion of total internal debt. Budgetary loans of the National Government and its borrowings from the Central Bank to finance subscriptions to international financial organizations as well as additional borrowings by the Development Bank of the Philippines and local governments accounted for the annual growth of 61 per cent.

c. External Public Debt

The financial requirements of development continuing to rise during the year, external public debt similarly expanded by 22 per cent to reach a level of \$4,753 million (₱35,037 million). This amount comprised 52 per cent of total public debt in peso terms, slightly higher than last year's proportion of 51 per cent.

Additional borrowings on the part of government corporations, the National Government and monetary institutions contributed to the growth in external debt of which 63 per cent was of long-term maturity, 20 per cent short-term, and the balance, medium-term.

Government corporations availed themselves of a share of 44 per cent or \$2,095 million, exceeding last year's borrowings by 24 per cent. The incremental debt was attributable mainly to the financial requirements of the National Power Corpora-

tion for its power projects, the Development Bank of the Philippines for relending purposes, the National Sugar Trading Corporation and the Philippine Sugar Commission for the sugar industry, and the National Grains Authority for the rice industry.

The National Government similarly availed itself of loans totalling \$1,472 million from the International Bank for Reconstruction and Development, the United States Aid for International Development, the United States government and the Asian Development Bank, which total comprised 31% of outstanding external debt. Over the year, borrowings of the National Government rose by 28 per cent mainly to finance the infrastructure projects (waterworks, flood control, rural electrification, ports and harbors, highways and roads, irrigation systems) of the country and the relending activities of DBP on livestock raising, small-medium and large-scale industries and shipping. Securities held in trust for the International Monetary Fund and the Asian Development Bank subscription also comprised a relatively significant proportion of National Government external debt.

Meanwhile, monetary institutions accounted for \$1,186 million or one-fourth of total external debt, reflecting a net increase of 14 per cent over the year. Of this, the Central Bank of the Philippines accounted for much of the expanded debt supplied by the IBRD, IMF, RP-Japan Commodity Loans, Japanese banks, and from Eurodollar credit agreements. Availments of the Philippine National Bank which made up a relatively small proportion of 6 per cent of total borrowings of monetary institutions were used for relending purposes.

In the case of local governments, availments were maintained at \$0.3 million.

TABLE 17.—PUBLIC DEBT OUTSTANDING
December 31, 1977 and 1978
(In Millions)

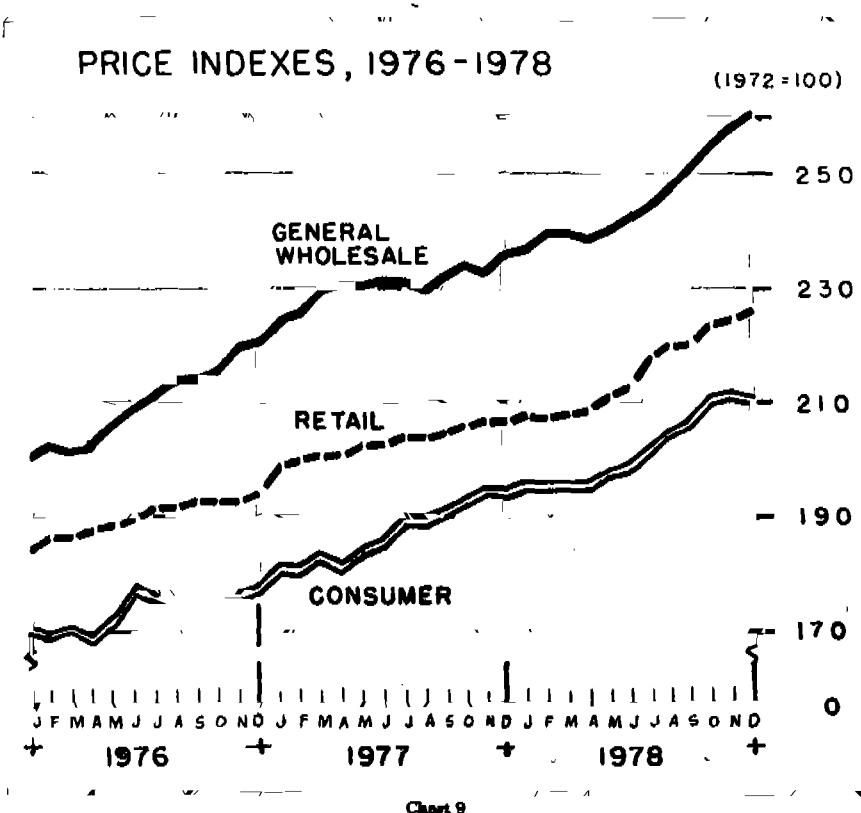
I t e m	1978	1977
TOTAL (Pesos)	67,566.8	56,045.0
Internal Debt (Pesos)	32,530.0	27,364.7
National Government	17,769.6	14,783.8
Local Governments	272.8	219.9
Government Corporations	3,467.3	3,051.2
Guaranteed	3,100.8	2,764.7
Non-Guaranteed	366.5	226.5
Monetary Institutions	11,020.3	9,309.8
External Debt (Pesos)	35,036.8	28,680.3
(U.S. Dollars)	4,753.2	3,886.7
National Government	1,472.5	1,153.2
Local Governments	0.3	0.3
Government Corporations	2,094.5	1,691.9
Monetary Institutions	1,185.9	1,041.3

C. PRICES

1. OVERALL

Commodity prices in 1978 initially gained momentum only to show moderate upward trends towards the end, for an annual average growth of 7.3 per cent (CPI Philippines, 1972=100).

Despite efforts at legislating the coverage of socialized pricing, an increase of prices of a large number of consumer commodities occurred during the year. Price ceilings of coconut-based consumer goods were adjusted upward. Sales and specific business taxes also rose affecting the firms' pricing patterns. In addition, inflationary tendencies fed upon the artificial shortage of basic commodities due to hoarding induced by the impending oil price hike. Consumer demand also upped prices slightly following the across-the-board increase in the minimum wage in the middle of the year.



However, the surge in prices was kept within tolerable levels. There was generally ample supply of goods for the most part of the year offsetting the adverse effects of the tropical depression experienced in October. Aside from favorable weather in the early part of the year, both agricultural and industrial credits continued to expand in 1978 providing greater in-

centives to production. Liquidity was also reduced with a BOP deficit of \$54 million, thus helping further in slowing down price trends.

Wholesale prices grew slower from 9.9 per cent to 6.8 per cent. The slowdown came mostly from price deceleration in the country's exportable commodities notwithstanding the higher price tags of imports. Wholesale prices of both unprocessed and processed goods recorded similarly slower growths in 1978.

Retail prices tapered down slightly from 6.7 per cent to 6.1 per cent, due largely to moderate price increases in all the major retail groups with the exception of beverages and tobacco.

Consumer prices in Metropolitan Manila also traced a modest downtrend from 7.9 per cent to 7.6 per cent. While prices of food commodities rose by 8.3 per cent, much higher than the previous year's 7.5 per cent, non-food items showed a price deceleration from 8.3 per cent to 6.9 per cent.

2. WHOLESALE PRICES

The general wholesale price index in Metro Manila (1972=100) recorded a marked deceleration from 9.9 per cent to 6.8 per cent in 1978. The slowdown in wholesale prices of both unprocessed and processed goods contributed to the downtrend.

Of the unprocessed goods category, only the prices of livestock and fish products showed further increases of 14.3 per cent and 13.5 per cent, respectively, reflecting the extent of damages brought about by the typhoons during the latter part of 1978.

On the other hand, wholesale prices of food, tobacco, products of wood, printing, leather, chemical, non-metallic and machinery moderated to pull down further the general WPI. A price fall of 0.2 per cent was in fact experienced by textiles due to the substantial decline of wholesale prices of heavily-weighted knitted fabrics even as those of woven fabrics shot up in 1978.

The sluggish wholesale price growth of domestic products (7.7 per cent), locally produced items (7.2 per cent), exportable commodities (10.4 per cent) and those for home consumption (6.5 per cent) combined to dampen the slight gain of 4.3 per cent in prices of the country's imported products.

TABLE 18. — PER CENT CHANGES OF WHOLESALE PRICE INDICES, 1978

(1972=100)

Item	General WPI	WPI of Domestic Products	WPI of Locally Produced Commodities	Home Consumption WPI	WPI of Imported Products	WPI of Exportable Products
All Items	6.8	7.7	7.2	6.5	4.3	10.4
Unprocessed						
Goods	7.6	8.3	8.9	7.9	4.8	8.8
Agricultural						
Crops	4.5	4.8	7.1	6.4	2.0	20.8
Livestock & Poultry ..	14.3	14.3	14.5	14.5	—	—
Fish & Other Marine Products ..	13.5	13.5	13.4	13.3	—	39.5
Forestry & Logging	6.0	6.0	6.5	6.5	—	8.1
Mining & Quarrying	9.5	17.6	— 3.8	5.3	5.5	—
Processed						
Goods	6.4	7.3	6.2	5.8	4.2	12.8
Food	8.3	11.5	8.9	7.3	4.9	18.9
Beverages ..	7.5	7.8	7.8	7.5	— 1.3	16.9
Tobacco						
Products ..	0.7	0.8	0.7	0.6	—	3.2
Textiles	—0.2	1.2	0.7	—0.3	— 3.7	9.9
Footwear & Other Wearing Apparel	12.7	12.7	13.1	13.2	4.4	11.7
Wood Cane & Cork Furniture	3.7	4.0	3.8	4.0	9.6	— 2.9
Furniture & Fixtures ..	10.4	10.4	10.4	10.4	—	3.5
Paper & Paper Products ..	6.8	5.1	5.1	6.7	43.0	9.0
Printing, Publishing & Allied Products	3.0	0.6	0.6	3.0	11.9	—
Leather & Leather & Fur Products	1.8	2.4	2.2	1.7	— 2.0	—
Rubber & Synthetic Products ..	3.9	3.6	3.6	4.0	0.5	2.5
Chemicals & Products	3.1	3.3	3.2	3.1	— 2.3	3.6
Non-metallic Mineral Products ..	8.8	9.5	9.4	8.7	5.8	6.5
Metal Products	8.8	10.0	10.0	10.1	5.9	1.0

TABLE 18. — PER CENT CHANGES OF WHOLESALE
PRICE INDICES, 1978 (Concluded)

(1972=100)

I t e m	General WPI	WPI of Domestic Products	WPI of Locally Produced Commod- ities	Home Consump- tion WPI	WPI of Imported Products	WPI of Exportable Export-
Machinery, Except Electrical	0.8	12.8	13.3	0.5	— 2.9	13.8
Electrical Mach., Ap- pliances & Supplies ..	9.8	7.7	7.7	9.8	14.2	5.7
Transport Equip- ment	12.5	13.3	13.3	12.4	8.4	3.1
Miscella- neous Ma- nufactur- ed Pro- ducts	9.2	12.9	12.9	9.2	4.7	5.1

3. RETAIL PRICES

The observed slowdown in wholesale prices was slightly reflected in the retail price index in Metro Manila (1972=100). Compared to WPI's 9.9 per cent to 6.8 per cent deceleration, retail prices remained at 6.1 per cent, hardly moving from the previous year's 6.7 per cent.

The tremendous pick up of beverages from 1.7 per cent to 6.1 per cent and the comparable performance of tobacco, from 2.2 per cent to 8.2 per cent pushed up overall retail prices despite the more moderate rates registered by the other groups.

The imposition of a new round of sales taxes triggered the hike in the retail prices of softdrinks, beer, pineapple juice and alcoholic drinks. Meanwhile, tobacco prices were higher due to the upward movement in retail prices of both native and Virginia cigarettes. Near the year-end, inventories of tobacco were consumed contributing further to the higher prices for the product.

Only the prices of household supplies posted a significant deceleration from 8.0 per cent to 4.8 per cent as well as those of medical and pharmaceutical preparations which grew less from 4.3 per cent to 1.5 per cent.

**TABLE 19. — RETAIL PRICE INDEX OF SELECTED COMMODITIES
IN METROPOLITAN MANILA, 1976-1978
(1972=100)**

Commodity Group	1976	1977	1978	Per Cent Change	
				1977	1978
ALL ITEMS	191.0	203.8	216.3	6.7	6.1
Food	174.5	190.5	206.2	9.2	8.2
Beverages	184.7	187.9	199.3	1.7	6.1
Tobacco	192.2	196.5	212.6	2.2	8.2
Wearing Apparel	186.0	208.0	223.5	11.8	7.5
Construction Materials	224.2	251.1	277.9	12.0	10.7
Fuel	210.1	217.6	221.1	3.6	1.6
Med. & Phar. Preps. ..	147.2	163.9	166.4	4.3	1.5
Office & School Supplies	212.2	231.2	247.4	9.0	7.0
Household Operations & Supplies ..	185.6	200.4	210.0	8.0	4.8

SOURCES OF BASIC DATA: Bureau of Agricultural Economics, Trade Assistance Center-Department of Trade and reporting private establishments.

4. CONSUMER PRICES

The national rate of inflation based on CPI Philippines (1972=100) exhibited a substantial slash from 9.9 per cent in 1977 to 7.3 per cent in 1978. This improvement came mostly from the heavily-weighted food group which chalked up an appreciable slowdown from 9.6 per cent to 6.3 per cent.

Prices of non-food consumer items, on the average, grew less by 9.0 per cent owing to similar patterns displayed by clothing, housing and repairs, and services even as prices of fuel, light and water and miscellaneous items perked up in 1978.

In Metropolitan Manila, consumers contended with price increases which barely eased down from 7.9 per cent in 1977 to 7.6 per cent in 1978. Food prices were higher by 8.3 per cent, accounted for largely by price pick-ups posted by dairy products, fish, fruits and vegetables and beverages. In addition, the increase came mostly from the abrupt rise in prices of cooking oil, laundry bar soap and filled milk in June since the base price of copra was pegged upward from ₱150 to ₱240 per 100 kilos.

Non-food consumer items showed a milder price growth averaging 6.9 per cent from the previous year's 8.3 per cent. The modest trend was brought about by the stable prices of housing and repairs (7.2 per cent) and modest growth rates recorded by fuel, light and water, services and miscellaneous commodities

in the face of continued gains by clothing (10.3 per cent). The continued uptrend in the cost of utilities was brought about mainly by the recent adjustments in water rates by 74 per cent and in power rates by 11 per cent effective in the latter part of 1978.

Based on the index for Metro Manila, inflation in 1978 was still basically of internal origin as prices of domestic products chiefly with local content grew by 8.0 per cent—although at a slower pace—while prices of those with imported inputs moved up by 6.8 per cent.

Notwithstanding the slight improvement in consumer prices, the purchasing power of the peso in Metropolitan Manila in 1978 further lost ground to inflationary trends. Equivalent to 0.58 centavos in 1977, the peso was further reduced to only 0.49 centavos in 1978.

TABLE 19. — CONSUMER PRICE INDEX IN METROPOLITAN
MANILA, 1976-1978
(1972=100)

Commodity Group	1976	1977	1978	Per Cent Change of 1978 over	
				1976	1977
ALL ITEMS	174.8	188.6	202.9	7.9	7.6
FOOD	176.8	190.0	205.7	7.5	8.3
Cereals	188.7	193.6	197.0	2.6	1.8
Dairy Products	168.4	167.5	171.9	— 0.5	2.6
Eggs	157.7	174.6	179.3	10.7	2.7
Fish	186.4	201.6	221.9	8.2	10.1
Fruits and Vegetables	182.9	184.0	229.2	0.6	24.6
Meat	169.1	189.9	204.5	12.3	7.7
Miscellaneous					
Food	163.0	196.2	222.0	20.4	13.1
Beverages	181.5	185.1	197.1	2.0	6.5
Tobacco	171.0	179.2	187.1	4.8	4.4
NON-FOOD	172.9	187.3	200.2	8.3	6.9
Clothing	193.3	204.8	225.8	10.3	5.9
Housing and Repairs	157.3	168.6	180.7	7.2	7.2
Fuel, Light and water	169.7	176.3	180.4	3.9	2.3
Services	169.5	193.7	209.3	14.3	8.1
Miscellaneous	204.4	213.2	221.9	4.3	4.1
DOMESTIC (CHIEFLY OF DOMESTIC ORIGIN)	165.4	180.2	194.7	8.9	8.0
DOMESTIC (WITH IMPORTED INPUTS)	193.2	203.1	217.0	5.1	6.8

SOURCES OF BASIC DATA: Bureau of Agricultural Economics, Trade Assistance Center-Department of Trade and reporting private establishments.

D. PRODUCTION, EMPLOYMENT, WAGES AND GROSS SALES

1. OVERALL

Domestic indicators of the Philippine economy showed a continuing bright trend in 1978 even as the threat of the oil price increase loomed heavily towards year end.

Production kept an even pace to record higher output levels. During crop year 1978, the combined agriculture-fishery-forestry improved on its previous yield with a 4.3 per cent growth, notwithstanding the unfavorable effects of the dry spell, sporadic infestation and downy mildew and at near year-end, tropical storms. Manufacturing continued its expansion with a 4.9 per cent increase, attributed partly to the sector's increased share of foreign markets. Mining and quarrying continued to expand although at a decelerated rate of 0.7 per cent due primarily to the substantial slowdown of metallic ore mining despite the sustained gains of 9.1 per cent in gold and 6.6 per cent in increase loomed heavily towards year-end.

PER CENT CHANGES IN THE PHYSICAL VOLUME
OF PRODUCTION, 1977 & 1978

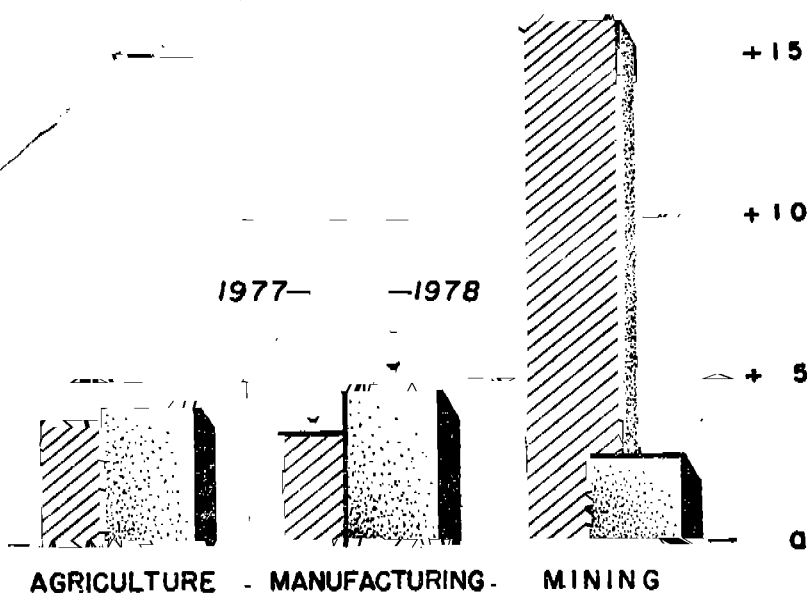


Chart 10

The rest of the sectors showed continuing output gains in 1978. Real estate improved appreciably by 21.7 per cent as mortgages recorded greater transactions. While railways gained 0.3 per cent in total receipts, international shipping though show-

ing a decline in number of entries, picked up heavily on more vessel clearances and higher tonnages. Production and sales of electricity continued to grow even at modest rates. By and large, this creditable record was enough to offset construction's cutback in number and value of activities for the year.

Brisker trading activities and higher market prices pushed up gross sales for 1978 by 16.1 per cent or twice that achieved in 1977. This also came about due to the substantial receipts in the services group, particularly hotels and restaurants.

During the year, employment kept pace with expanding production and increasing sales. However, the rate was decelerating due mostly to manpower lay-off in mining and construction. Other sectors exhibited uptrends in employment in 1978.

With continued improvement in production and employment, workers' wages and earnings also went up. Salaried workers registered a 17.4 per cent gain while wage earners obtained 13.5 per cent more. Due to higher prices, however, real wages of skilled workers decreased further by 2.8 per cent during the year in review.

2. PRODUCTION

a. Agriculture, Fishery and Forestry

For crop year 1978, the agriculture-fishery-forestry volume index of 138.2 (1972=100) gained by 4.3 per cent compared to 3.8 per cent in 1977. The strong upturn in livestock and poultry and the appreciable recovery in forestry offset the slowdown in agricultural crops production and the setback in fishery.

Reflecting the considerable progress of food sufficiency programs initiated by the government, the growth in farm output was maintained at 3.6 per cent notwithstanding the adverse effects of a prolonged dry spell and sporadic infestations. Led by palay, foodcrops accounted largely on the gain as output of commercial crops notably sugar and tobacco registered shortfalls.

Palay production swelled to an all-time high of 6.9 million metric tons or an increase of 6.8 per cent. The total corn harvested amounted to nearly 2.9 million metric tons exceeding the 1977 level slightly, despite a mild outbreak of downy mildew.

Likewise, the aggregate output of vegetables improved by 3.8 per cent, notwithstanding the drought which hampered the growth of component items, particularly roots and tuber crops. The unabated demand for local fruits, both here and abroad, further bolstered production of fruits and nuts by 5.9 per cent, as higher growth rates marked the output of pineapple, mango and citrus. Citrus registered the biggest increase of 20.5 per cent

with the hike in new fruit-bearing trees. Bananas, on the other hand, slowed down following the lean harvest from the drought-stricken plantations in Mindanao.

For commercial crops, mixed production trends prevailed. The relatively improved world market prices for principal coconut products—topped by copra—induced a higher 5.5 per cent expansion in the local coconut industry. On the other hand, an extremely depressed market for sugar influenced further cut-backs in cane production. Meanwhile, the shortfall in tobacco in crop year 1978 was only half as much as in 1977 while fiber-crops gained some headway owing solely to abaca.

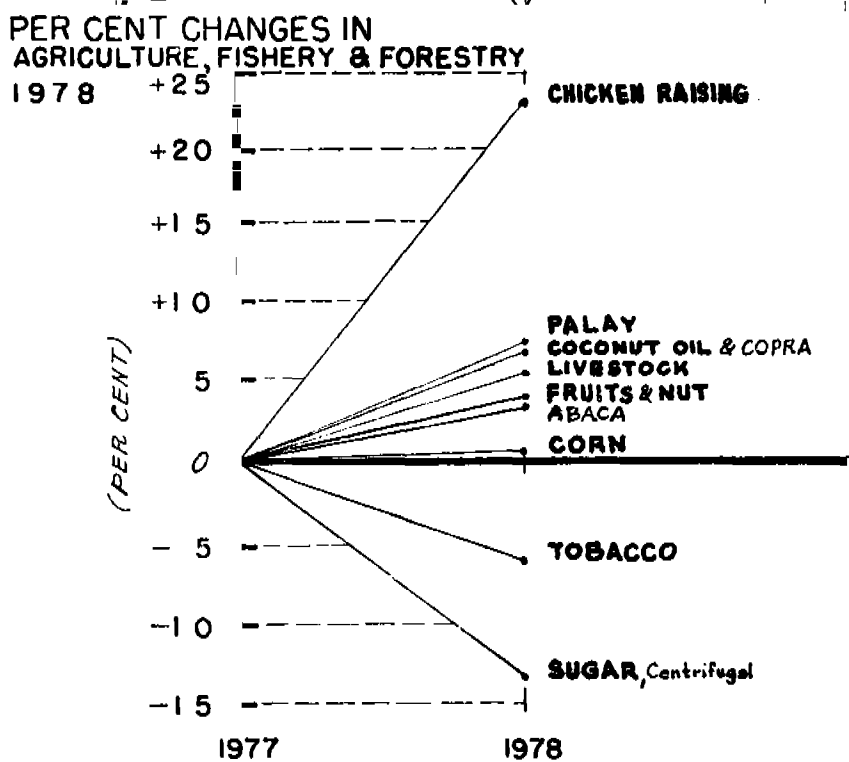


Chart 11

The production of other agricultural crops including coffee and cacao advanced by 5 per cent in response to the increasing requirements of local food processing industries a growing demand for coffee, likewise, bolstered output of this crop.

Contributing the biggest incremental rate to the sectoral output gain, however, was the big 18.4 per cent upturn in livestock-poultry. Livestock staged a strong recovery (13.9 per cent from a slump in 1977 while poultry chalked up an unprecedented expansion (23.5 per cent). The upsurge in animal population re-

flected the financial and technical assistance received by the industry in line with the Ten-Year Beef and Carabeef Development Program (1976-85) and the Bakahang Barangay, 1977.

Forestry ranked second to livestock and poultry in terms of growth contribution to the over-all gain in agriculture. Logging operations as well as other forest activities picked up strongly by 4.7 per cent, thus reversing the previous year slump of 7 per cent. This was in response to the relatively improved world prices during the period for exportable logs and use of non-oil fuel products as wood and charcoal.

The sustained growth in crop production as well as the marked recoveries in livestock and forestry activities more than offset the 0.2 per cent lag in fishery—traceable to the observed setback in typhoon-stricken inland fishing.

TABLE 21. — INDEX OF THE PHYSICAL VOLUME OF PRODUCTION
IN AGRICULTURE, FISHERY, AND FORESTRY
Crop Years 1976-1978
(1972=100)

I t e m	1976r/	1977p/	1978e/	Per Cent Change	
				1977	1978
AGRICULTURE, FISH- ERY, AND FORESTRY	127.6	132.5	138.2	3.8	4.3
Agricultural Crops Produc- tion	144.3	150.6	156.0	4.4	3.6
Palay	120.8	126.6	135.2	4.8	6.8
Corn	137.5	141.3	141.9	2.8	0.4
Vegetables incl. root and tuber crops	154.4	166.9	173.2	8.1	3.8
Beans and peas	182.5	193.3	203.0	5.9	5.0
Root, bulb, and tube- rous vegetables	136.0	158.2	166.3	16.3	5.1
Fruit-bearing veget- ables	165.6	164.9	169.8	— 0.4	3.0
Leafy and stem veget- ables	134.9	153.9	163.8	14.1	6.4
Root and tuber crops ...	146.1	168.6	172.8	15.4	2.5
Vegetables, n.e.c.	303.7	346.7	398.7	14.2	15.0
Fruits and nuts (excl. co- conut)	200.9	213.6	226.3	6.3	5.9
Banana	231.7	244.3	254.1	5.4	4.0
Pineapple	148.8	151.5	164.7	1.8	8.7
Mango	210.6	220.7	240.6	4.8	9.0
Citrus fruits	203.8	208.8	251.6	2.5	20.5
Fruits and nuts (except coconut), n.e.c.	113.0	135.0	143.1	19.5	6.0
Coconut incl. copramak- ing in the farm	134.2	140.8	148.5	4.9	5.5
Sugar cane incl. muscova- do sugar-making in the farm	156.1	146.0	126.5	— 6.5	— 13.4

TABLE 21. — INDEX OF THE PHYSICAL VOLUME OF PRODUCTION
IN AGRICULTURE, FISHERY, AND FORESTRY (Concluded)
Crop Years 1976-1978
(1972=100)

I t e m	1976 ^a /	1977 ^b /	1978 ^c /	Per Cent Change	
				1977	1978
Tobacco	105.2	93.2	88.0	-11.4	- 5.6
Fiber crops	120.1	129.3	132.3	7.7	2.3
Abaca	126.6	136.8	140.9	8.1	3.0
Other fiber crops	55.6	55.6	47.7	—	-14.7
Agricultural crops, n.e.c. ..	146.7	148.6	156.1	1.3	5.0
Coffee	156.5	159.2	167.2	1.7	5.0
Cacao	91.5	84.1	88.3	- 8.1	5.0
Rubber	264.3	268.2	281.6	1.5	5.0
Other agricultural crops, n.e.c.	—	0.3	0.3	—	—
Production of Livestock, , Poultry and Other Ani- mals ^{1/}	86.5	84.9	100.5	- 1.8	18.4
Livestock	82.3	76.9	87.6	- 6.6	13.9
Cattle raising	89.8	95.0	94.2	5.8	- 0.8
Carabao raising	57.8	62.0	62.8	7.3	1.3
Hog raising	83.8	74.1	89.2	-11.6	20.4
Livestock production, n.e.c.	134.7	140.7	148.1	4.5	5.3
Poultry	92.6	96.7	119.4	4.4	23.5
Chicken raising	91.2	95.4	117.5	4.6	23.2
Duck raising	157.9	161.4	206.4	2.2	27.9
Other poultry produc- tion	—	—	—	—	—
Fishery ^{1/}	124.2	137.6	137.3	10.8	0.2
Ocean (off-shore) and coastal fishing	119.6	127.9	128.4	6.9	0.4
Inland fishing	129.0	147.4	143.6	14.3	- 2.6
Operation of fish farm	114.0	117.0	130.9	2.6	11.9
Forestry	79.9	74.3	77.8	- 7.0	4.7
Logging operations	100.0	93.7	98.0	- 6.3	4.6
Other forestry activities ...	30.4	26.4	28.0	-13.2	6.1
Firewood cutting and charcoal making car- ried in the forest	0.7	2.1	2.1	200.0	—
Gathering of uncultivat- ed forest products	79.7	64.7	64.7	-18.8	—
Other forestry activi- ties	91.0	77.3	85.3	-15.1	10.3

^{1/} Calendar year

SOURCES OF BASIC DATA: Bureau of Agricultural Economics, Bureau of Fisheries & Aquatic Resources, Philippine Coconut Authority, Bureau of Forest Development, Philippine Sugar Commission.

TABLE 22. — AGRICULTURAL PRODUCTION, CROP YEARS 1976-1978
(Thousand metric tons)

I t e m	1976r/	1977p/	1978e/	Per Cent Change	
				1977	1978
AGRICULTURE, FISHERY, AND FORESTRY					
Agricultural Crops					
Production					
Palay	6,159.5	6,456.1	6,894.9	4.8	6.8
Corn	2,766.8	2,843.4	2,855.2	2.8	0.4
Vegetables includ- ing root and tu- ber crops	81.9	88.1	92.5	7.6	5.0
Beans and peas ..					
Root, bulb, and tuberous vege- ables	81.9	102.3	107.5	24.9	5.1
Fruit-bearing vegetables	231.9	232.9	239.8	0.4	3.0
Leafy and stem vegetables	99.4	110.2	117.4	10.9	6.5
Root and tuber crops	1,802.8	2,068.4	2,120.1	14.7	2.5
Vegetables, n.e.c. Fruits and nuts (excluding coco- nut)	31.9	36.4	41.9	14.1	15.1
Banana	2,270.6	2,394.7	2,490.5	5.5	4.0
Pineapple	419.9	427.3	464.5	1.8	8.7
Mango	293.1	307.1	334.7	4.8	9.0
Citrus fruits	120.2	123.1	148.4	2.4	20.6
Fruits and nuts (except coconut), n.e.c.	347.0	465.0	493.0	34.0	6.0
Coconut					
Copra	2,092.0	2,119.7	2,257.5	1.3	6.5
Coconut oil ^{1/}	1,279.2	1,539.3	1,639.3	20.3	6.5
Desiccated co- conut ^{1/}	92.0	67.1	71.4	-27.1	6.4
Copra meal/ cake ^{1/}	720.8	540.1	575.2	-25.1	6.5
Sugar					
Centrifugal	2,880.0	2,685.9	23,36.2	- 6.7	-13.0
Muscovado and panocha	63.0	63.5	53.4	0.8	-15.9
Molasses	1,000.0	934.0	782.7	- 6.6	-16.2
Tobacco	58.8	52.1	49.2	-11.4	- 5.6
Fiber crops	143.2	154.7	158.6		
Abaca	139.3	150.6	155.1	8.1	3.0
Other fiber crops	3.9	4.1	3.5	5.1	-14.6
Agricultural crops, n.e.c.	141.3	143.5	150.8		
Coffee	80.8	82.1	86.3	1.6	5.1
Cacao	3.2	2.9	3.1	- 9.4	6.9
Rubber	57.3	58.2	61.1	1.6	5.0
Other agricultu- ral crops, n.e.c.	0.3	0.3			

Production of Live-
stock, Poultry and
Other Animals^{1/}

Livestock (thou- sand heads)	12,408.5	12,014.3	13,291.6		
Cattle raising (thousand heads)	1,736.6	1,835.3	1,820.2	5.7	— 0.8
Carabao raising (thousand heads)	2,724.7	2,920.6	2,958.7	7.2	1.3
Hog raising (thousand heads)	6,489.2	5,734.8	6,909.9	— 11.6	20.5
Livestock produc- tion, n.e.c. (thousand heads)	1,458.0	1,523.6	1,602.8	4.5	5.2
Poultry	49,775.1	51,979.7	64,257.6		
Chicken raising (thousand heads)	45,670.7	47,784.3	58,892.4	4.6	23.2
Duck raising (thousand heads)	4,104.4	4,195.4	5,365.2	2.2	27.9
Other poultry production (thousand heads)					
Fishery ^{1/}	1,393.5	1,542.0	1,535.0		
Ocean (off-shore) and coastal fish- ing	508.2	543.4	545.5	6.9	0.4
Inland fishing	772.5	882.8	860.0	14.3	— 2.6
Operation of fish farm	112.8	115.8	129.5	2.7	11.8
Forestry					
Logging operations (million board feet)	3,578.0	3,350.4	3,504.5	— 6.4	4.6
Other forestry ac- tivities					
Firewood cutting and charcoal making carried in the forest (thousand cu.m.)	56.0	151.2	151.2	170.0	—
Gathering of un- cultivated for- est products (thousand ki- los)	1,995.2	1,815.6	1,815.6	— 9.0	—
Other forestry ac- tivities, n.e.c.					
Bamboo & bo- ho (thousand pcs.)	175.7	144.0	159.1	—18.0	10.5
Rattan poles (thousand l.m.)	7,077.9	6,016.2	6,647.9	—15.0	10.5

^{1/} Calendar year

SOURCES OF BASIC DATA:

Bureau of Agricultural Economics, Bureau of Fisheries and Aquatic Resources, Bureau of Forest Development, Philippine Coconut Authority and Philippine Sugar Commission.

b. Mining and Quarrying

At 133.5 (1972=100), the mining and quarrying production index posted a 0.7 per cent gain in 1978 after registering an unprecedented growth of 16.1 per cent in 1977. Following the 19.5 per cent upsurge in the previous year, output of the heavily-weighted metallic ore mining rose by 0.4 per cent and the non-metallic group by a bigger 6.6 per cent during the year.

In the metallic group, gold registered the biggest increase of 9.0 per cent, as compared to the 11.4 per cent attained in the previous year. Buoyed up by high prices and supported by the country's Gold Refinery which had gone into its second year of operation, gold output reached 19.0 thousand kilograms. Production of other precious metals went up by 3.2 per cent with silver solely providing the boost as platinum and palladium remained outside the production line.

Local copper production also responded favorably to the generally improved world market prices resulting from sharp draw-downs in the LME Warehouse stocks and supply bottlenecks in three of the world's largest producers. During 1978, copper production continued to increase although at a much lower rate of 3.2 per cent as compared to the 11.5 per cent recorded a year ago.

After gaining substantially by 141.4 per cent in 1977, output of nickel, likewise, slowed down to increase by only 15.6 per cent during 1978 due to the weakness of the market resulting from high inventories abroad. Similarly, the aggregate production of chromite exceeded its previous year level by a smaller 5.5 per cent with both refractory and metallurgical components contributing to the uptrend.

Iron ore was out of the production stream since 1975 while other base metal ore mining experienced an aggregate shortfall of 27 per cent. Mercury also failed to contribute to production for the last three years while lead and manganese incurred output losses which more than offset the modest improvement in zinc production.

The non-metallic and quarrying group gained 6.6 per cent, improving markedly on its 1977 performance. However, during 1978 coal production was 10.6 per cent lower after expanding more than tenfold in the preceding year. Nonetheless, the shortfall in coal output was partly overcome by the 1.2 per cent recovery in stone quarrying whose demand soared as a result of heightened government construction and infrastructure activity. There was also a significant upturn of 16.4 per cent in other non-metallic mining and quarrying owing largely to the recovery of salt mining, among others.

(TABLE 23. — MINING AND QUARRYING PRODUCTION
1976-1978

I t e m	Unit of Measure	1976	1977	1978 e/	Per Cent Change	
					1977	1978
MINING AND QUARRYING						
Metallic Ore						
Mining						
Gold ore mining .. Kg.		15,589	17,363	18,957	11.4	9.2
Other pre- cious me- tal ore mining						
Silver ore mining .. Kg.		46,053	50,416	51,864	9.5	2.9
Platinum ore min- ing Kg.						
Palladium ore min- ing Kg.						
Copper ore min- ing ^{1/} M.T.		857,085	956,374	987,233	11.6	3.2
Nickel ore min- ing M.T.		15,239	36,781	31,046	141.4	—15.6
Chromite ore min- ing M.T.		346,269	442,865	467,667		
Refractory chromite ore min- ing M.T.		310,302	402,126	418,074	29.6	4.0
Metallur- gical chromite ore min- ing M.T.		35,967	40,739	49,593	13.3	21.7
Iron ore mining .. M.T.		570,999	—	—	—	—
Other base metal ore mining		34,136	50,585	46,691		
Mercury (quick sil- ver) M.T.		—	—	—	—	—
Zinc ^{1/} M.T.		22,544	24,147	25,123	7.1	4.0
Manga- nese M.T.		7,290	5,839	3,503	— 10.9	—40.0
Lead M.T.		4,302	20,599	18,065	378.8	—12.3
Non-Metal- lic Mining & Quarrying						
Coal min- ing M.T.		120,810	284,554	313,010	135.5	10.0

TABLE 23. — MINING AND QUARRYING PRODUCTION (Concluded)
1976-1978

I t e m	Unit of Measurc	1976	1977	1978 e/	Per Cent Change	
					1977	1978
Stone quar- rying, clay and sand pits						
Limestone quarry- ing	M.T.	6,943,587	6,333,467	6,435,710	— 8.8	1.6
Marble quarry- ing	M.T.	11,178	3,753	2,278	— 66.4	40.6
Stone quarry- ing, ex- cept lime- stone and marble (adobe stone brok- en)	Cu.M.	7,634	—	5,802	—	—
Silica sand and silica stone quarry- ing	M.T.	391,455	319,842	320,828	— 18.3	0.3
Clay quar- rying ..	M.T.	500,212	437,706	429,444	— 12.5	— 1.9
Sand and gravel quarry- ing	Cu.M.	6,113,108	7,347,081	7,378,672	20.2	0.4
Feld- spar	M.T.	15,240	15,073	22,907	— 1.1	52.0
Dolo- mite ..	M.T.	6,432	7,442	6,328	15.7	—15.0
Stone quarry- ing, clay, and sand pits, n.e.c.2/	Cu.M.	482,231	6,879	10,550	— 98.6	53.4
Other non- metallic min- ing and quar- rying						
Chemical and fertilizer mineral mining						
Guano	M.T.	1,757	162	980	— 90.8	504.9
Rock phos- phate ..	M.T.	11,923	10,323	12,650	— 13.4	22.5
Sulphur	M.T.					

TABLE 23 — MINING AND QUARRYING PRODUCTION (Concluded)
1976-1978

I t e m	Unit of Measure	1976	1977	1978 e/	Per Cent Change	
					1977	1978
Pyrite	M.T.	166,331	108,523	176,118	— 34.8	62.3
Salt min- ing	M.T.	203,386	200,000	217,721	— 1.7	8.9
Non-Me- tallic min- ing and quarry- ing, n.e.c. ^{3/}	M.T	2,820	1,710	2,411	— 39.4	41.0

1/ In concentrate

2/ Inclusive of stones, cobbles and boulders

3/ Inclusive of gypsum (natural)

SOURCE OF BASIC DATA: Bureau of Mines.

TABLE 24. — INDEX OF THE PHYSICAL VOLUME OF MINING
AND QUARRYING PRODUCTION
1976-1978
(1972=100)

I t e m	1976	1977	1978 e/	Per Cent Change	
				1977	1978
MINING AND QUARRYING	114.2	132.6	133.5	16.1	0.7
Metallic Ore Mining	114.1	136.3	135.8	19.5	0.4
Gold ore mining	82.6	92.0	100.4	11.4	9.1
Other precious me- tal ore mining	77.0	84.2	86.7	9.4	3.0
Silver ore mining ..	80.2	87.8	90.3	9.5	2.8
Platinum ore min- ing	—	—	—	—	—
Palladium ore min- ing	—	—	—	—	—
Copper ore min- ing ^{1/}	108.3	120.8	124.7	11.5	3.2
Nickel ore mining	3,968.4	9,578.4	8,084.9	141.4	2.3
Chromite ore min- ing	99.6	127.6	134.6	28.1	5.5
Refractory chro- mite ore min- ing	115.6	149.9	155.9	29.7	4.0
Metallurgical chro- mite ore min- ing	44.2	50.1	60.9	13.3	21.6
Iron ore mining	25.9	—	—	—	—
Other base metal ore mining	495.3	502.4	366.9	1.4	—27.0
Mercury (quick- silver)	—	—	—	—	—

TABLE 24. — INDEX OF THE PHYSICAL VOLUME OF MINING
AND QUARRYING PRODUCTION (Concluded)
1976-1978

(1972=100)

I t e m	1976	1977	1978e/	Per Cent Change	
				1977	1978
Zinc ^{1/}	238.1	255.1	265.3	7.1	4.0
Manganese	172.4	825.3	723.8	378.5	-12.3
Lead	60,750.0	48,658.3	29,191.7	- 19.9	-40.0
Non-Metallic Mining and Quarrying	114.6	315.8	123.4	1.0	6.6
Coal mining	310.6	731.4	804.6	135.5	-10.6
Stone Quarrying, clay and sand pits ^{2/}	125.7	123.7	125.2	— 1.6	1.2
Other non-metallic mining and quar- rying	92.4	84.0	97.8	— 9.1	16.4

1/ In concentrate.

2/ Applicable for annual data only. Monthly/quarterly figures not available.

SOURCE OF BASIC DATA: Bureau of Mines.

c. *Manufacturing*

Manufacturing production continued to expand by 4.9 per cent in 1978, slightly higher than the 3.4 per cent obtained in 1977. This was attributed partly to the sector's increasing sales in the foreign markets. As a result of the government's drive to increase the value-added content of Philippine products, non-traditional manufactured exports fared well to make up for the lackluster performance of some of the country's top exports, mostly agricultural. This year, manufacturing's share of total exports grew from about 20 per cent in 1977 to around 30 per cent, thus contributing to the overall growth of exports during the period. Meanwhile, gross sales of the various manufacturing industries which increased by 12.3 per cent showed a general up trend notably for food, chemicals and paper products.

The heavily-weighted food, beverages and tobacco group posted a 5.4 per cent increase in output, up from the 4.4 per cent increase in 1977. The decelerated expansion in beverages production of 7.4 per cent as compared to the prior year's gain of 20.6 per cent, was offset by the hike in processed food and tobacco manufactures.

The chemicals, petroleum, coal, rubber and plastic products group moved up by 6.1 per cent, almost twice the gain registered in 1977. This uptrend was influenced mainly by the 17.8

per cent higher turn-out of petroleum refineries and the 10.0 per cent increase in rubber product manufactures both of which suffered production cutbacks in 1977.

Output of the textile, wearing apparel and leather group slowed down with a 2.7 per cent growth rate in comparison with the previous year's gain of 10.7 per cent due partly to unfavorable developments in export markets. The imposition of restrictive quotas by the EEC had a restraining effect on the imports of garments. Only the recovery in footwear manufactures from a slump of 7.2 per cent in 1977 to a 1.9 per cent increase and the sustained expansion in textiles production helped push the industry growth for the year.

Among the less-weighted industry groups, significant recoveries also occurred in the production of paper and paper products, printing and publishing and non-metallic mineral products, except products of petroleum and coal. While both industries each experienced an identical production cutback of 4.9 per cent in 1977, the former posted an increase of 9.2 per cent while the latter attained a growth rate of 6.5 per cent. The reversal recorded by the paper industry came about as a result of the attainment of a near-100 per cent operating capacity by the country's largest paper manufacturer with the addition of a 24 megawatt power plant to its existing facilities.

Meanwhile, wood and wood products, including furniture raised their 1977 growth gain of 3.3 per cent to 4.7 per cent, brought about by the recovery in output of furniture and fixtures. In addition, the slight increase in wood, particularly plywood and cork manufactures as a direct offshoot of their continuous exportation further sustained the industry's growth in 1978.

Basic metal industries registered a slower growth rate of 3.9 per cent compared to the previous year's 4.2 per cent on account wholly of iron and steel products. Other manufactures continued their growth at 4.9 per cent as demand for Philippine toys increased during the year following the country's successful participation in the International Toy Fair in West Germany late in 1977.

TABLE 25. — INDEX OF THE PHYSICAL VOLUME OF PRODUCTION IN MANUFACTURING, 1976-1978

(1972=100)

Industry	1976	1977	1978 ^{p/}	Per Cent Change	
				1977	1978
MANUFACTURING ..	116.4	120.4	126.3	3.4	4.9
Food, beverages & tobacco	112.4	117.4	123.7	4.4	5.4
Food manufacturing	113.6	115.8	121.6	1.9	5.0
Beverage industries	125.5	151.4	162.6	20.6	7.4

TABLE 25. — INDEX OF THE PHYSICAL VOLUME OF
PRODUCTION IN MANUFACTURING, 1976-1978 (Continued)

Industry	1976	1977	1978 ^{p/}	Per Cent Change	
				1977	1978
Tobacco manufac- tures	88.6	86.6	89.4	— 2.3	3.2
Chemicals & chemical, petroleum, coal, rub- ber & plastic prod- ucts	94.7	97.6	103.6	3.1	6.1
Industrial chemicals	99.7	113.6	125.1	13.9	10.1
Other chemical prod- ucts	91.9	104.2	101.2	13.4	—2.9
Petroleum refineries	106.1	96.6	113.8	— 9.0	17.8
Miscellaneous prod- ucts of petroleum and coal	40.4	52.3	64.3	29.5	22.9
Rubber products	96.6	77.1	84.8	—20.2	10.0
Plastic products	65.6	85.4	86.8	30.2	1.6
Textile, wearing appar- el and leather indus- tries	128.3	142.0	145.8	10.7	2.7
Textiles	106.8	120.8	121.0	13.1	0.2
Wearing apparel, ex- cept footwear	163.6	171.3	180.4	4.7	5.3
Leather & products of leather, leather substitute & fur, ex- cept footwear and wearing apparel	86.2	97.3	95.1	12.9	—2.3
Footwear, except vul- canized or moulded rubber or plastic footwear	162.8	151.1	154.0	— 7.2	1.9
Fabricated metal prod- ucts, machinery & equipment	136.0	131.6	131.8	— 3.2	0.2
Fabricated metal prod- ucts, except ma- chinery and equip- ment	137.5	135.7	137.7	— 1.3	1.5
Machinery except elec- trical	132.4	137.7	137.8	4.0	0.1
Electrical machinery, apparatus & appli- ances	122.0	113.2	112.0	— 7.2	—1.1
Transport equipment ..	147.7	150.3	148.7	1.8	—1.1
Professional and scientific and mea- suring and control- ling equipment not elsewhere classified, and of photograph- ic and optical goods	96.2	43.3	48.1	—55.0	11.1
Paper & paper products, printing & publishing ..	119.9	114.0	124.5	— 4.9	9.2
Paper & paper prod- ucts	113.8	120.9	130.4	6.2	7.8

TABLE 25. — INDEX OF THE PHYSICAL VOLUME OF PRODUCTION IN MANUFACTURING, 1976-1978 (Concluded)

Industry	1976	1977	1978p/	Per Cent Change	
				1977	1978
Printing, publishing and allied products ..	124.0	107.6	119.1	-13.2	10.7
Wood & wood products, including furniture	109.8	113.4	118.7	3.3	4.7
Wood & wood & cork products, except furniture	90.3	102.4	108.3	13.4	5.8
Furniture & fixtures except primarily of metal	154.1	138.4	142.3	-10.2	2.8
Non-metallic mineral products, except products of petroleum and coal	115.5	109.8	116.9	- 4.9	6.5
Pottery, china & earthenware	273.9	218.2	211.6	-20.3	-3.0
Glass & glass products	86.6	86.8	93.3	0.2	7.5
Other non-metallic mineral products ..	118.2	113.4	121.8	- 4.1	7.4
Basic metal industries ..	190.8	198.8	206.5	4.2	3.9
Other manufacturing industries	75.2	92.6	97.1	23.1	4.9

SOURCES OF BASIC DATA: Sample firms.

d. Construction

Private building construction in the City of Manila witnessed further cutbacks in 1978—with both volume and value falling sharply below 1977 levels. Among others, this was attributed to the marked increase in the cost of construction materials and the difficulty in complying with the additional requirements resulting from the implementation of the New Building Code.

Totalling 1,736, the number of building permits issued during 1978 was less by 17.8 per cent. The corresponding value amounting to ₱504.2 million dropped by 27.5 per cent after increasing by 50 per cent in 1977. All types of construction, in particular, the non-residential sector, experienced slumps during the period.

Private residential construction decreased by 15.5 per cent in number of units and followed by 34.6 per cent in value. The non-residential sector—comprising more than half of the aggregate value—fell by 27.3 per cent following a 17.8 per cent decrease in number of buildings. The contraction was heaviest in the commercial and industrial categories which more than offset the recovery in the institutional type of construction.

Compared to 1977, the addition, alteration and repair group, likewise, slowed down by more than 18 per cent in both volume and value.

TABLE 26. — PERMIT VALUATION OF PRIVATE BUILDING CONSTRUCTION
BY TYPE IN THE CITY OF MANILA, 1976-1978
(Value in pesos)

Type of construction	1976		1977		1978		Per Cent Change			
	Number	Value	Number	Value	Number	Value	1977		1978	
							Number	Value	Number	Value
T O T A L	2,320	463,661,968	2,111	695,504,330	1,736	504,225,854	— 9.0	50.0	— 17.8	— 27.5
Residential	433	108,102,396	420	166,240,387	355	108,749,497	— 3.0	53.8	— 15.5	— 34.6
Non-residential	240	257,620,999	287	403,137,265	236	292,903,665	19.6	56.5	— 17.8	— 27.3
Commercial	140	161,390,548	145	320,750,678	107	192,963,668	3.6	98.7	— 26.2	— 39.8
Industrial & public utility ^{1/}	9	17,944,132	19	24,824,830	5	5,107,580	111.1	38.3	— 73.7	— 79.4
Institutional ^{2/}	18	38,022,358	4	5,357,305	13	20,617,498	— 77.8	— 85.9	225.0	284.8
Others ^{3/}	73	40,263,961	119	52,204,452	111	74,214,919	63.0	29.7	— 6.7	42.2
Addition, alteration & repair	1,647	97,938,573	1,404	126,126,678	1,145	102,572,692	14.8	28.8	— 18.4	— 18.7

1/ Inclusive of factories, warehouses and plants.

2/ Inclusive of recreational, social, educational, charitable, religious, medical and other similar institutions.

3/ Inclusive of buildings not classified elsewhere.

SOURCE OF BASIC DATA: Department of Engineering and Public Works, City Engineer's Office, Manila.

e. *Real Estate*

Real estate transactions in the City of Manila and in the Other Cities—Quezon and Pasay—improved appreciably during the first eleven months of 1978 compared to the same period in 1977.

The combined volume of sales reached 9,448 increasing by 21.7 per cent against the 3.2 per cent gain registered in the previous year. However, valuewise, sales aggregated ₱805.5 million in 1978 exceeding the year-ago level by only 17.4 per cent compared with the 22.1 per cent growth registered in 1977. In the Manila area, real estate deals reaching 2,405 or 25.4 per cent of the over-all, increased at a higher rate of 25.7 per cent despite a bigger drop of 33.5 per cent in corresponding value. An equally substantial improvement (23.1 per cent) was observed in transactions for Quezon City which garnered almost 70 per cent of the total sales volume and more than four-fifths of the aggregate value; this accounted solely for the increase of 20.3 per cent for Other Cities as Pasay showed a downward trend. (Caloocan has yet to report its transactions for the last three years.) The numerous sales involving small-scale deals in Manila reflected the limited supply and high prices of lots while larger and less expensive lots influenced the continuous movement of dwellers towards the suburbs particularly in Quezon City.

Total mortgages reached 8,053 in the 1978 period improving further by 17.9 per cent, following the big upsurge of 60.4 per cent registered a year ago. The corresponding value went up by 31.8 per cent compared with the 40.2 per cent attained in the same period in 1977. Unlike their sales performance, Other Cities recorded bigger mortgage transactions than Manila. Again Quezon City—representing more than nine-tenths of the total registered during the first eleven months of 1978—led the uptrend by 29.5 per cent in volume and 36.2 per cent in value.

f. *Electricity*

Production and sales of electric power by the Manila Electric Co. showed lower rates of growth during the first nine months of 1978, as compared to the corresponding period in 1977. Power output amount to 6,396.0 million k.w.h.; increasing by 6.8 per cent or only about half of the previous year's rate, owing largely to the results of the Energy Conservation Movement (ENERCON). On the other hand, the volume and value of power sales each went up by 7 per cent to 5,506.1 million k.w.h. and ₱1,707.4 million, respectively.

**TABLE 27. — REAL ESTATE SALES AND MORTGAGES IN MANILA
AND OTHER CITIES**
January-November, 1976-1978
(Value in Million Pesos)

I t e m	January-November						Per Cent Change January-November			
	1976		1977		1978		1977		1978	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
SALES	7,524	561.9	7,766	686.3	9,448	805.5	3.2	22.1	21.7	17.4
Manila	1,602	167.1	1,913	148.1	2,405	98.5	19.4	-11.4	25.7	-33.5
Other Cities	5,922	394.8	5,853	538.2	7,043	707.0	- 1.2	36.3	20.3	31.4
Caloocan City	—	—	—	—	—	—	—	—	—	—
Pasay City	421	41.4	490	66.7	442	46.2	16.4	61.1	- 9.8	-30.7
Quezon City	5,501	353.4	5,363	471.5	6,601	660.8	- 2.5	23.4	23.1	40.1
MORTGAGES	4,258	766.4	6,828	1,074.7	8,053	1,416.0	60.4	40.2	17.9	31.8
Manila	736	307.5	3,034	382.7	3,207	362.9	312.2	24.5	5.7	- 5.2
Other Cities	3,522	458.9	3,794	692.0	4,846	1,053.1	7.7	50.8	27.7	52.2
Caloocan City	—	—	—	—	—	—	—	—	—	—
Pasay City	266	49.3	361	78.9	400	218.1	35.7	60.0	10.8	176.4
Quezon City	3,256	409.6	3,433	613.1	4,446	835.0	5.4	49.7	29.5	36.2

SOURCES OF BASIC DATA: Manila Board Realtors and Quezon City Hall

TABLE 28. — PRODUCTION AND SALES OF ELECTRICITY

January - September, 1976-1978

(Value in Thousand Pesos)

I t e m	January September						Per Cent Change January-September			
	1976		1977		1978		1977		1978	
	000 KWH	Value	000 KWH	Value	000 KWH	Value	000 KWH	Value	000 KWH	Value
Production	5,331,057		5,988,168		6,395,971		12.3		6.8	
Sales	4,618,140	1,381,295	5,140,870	1,582,356	5,506,143	1,707,353	11.3	14.6	7.1	7.9
Residential	1,095,934	253,086	1,208,595	286,421	1,337,201	320,069	10.3	13.2	10.6	11.7
Commercial	1,411,803	473,696	1,619,821	554,748	1,742,959	608,022	14.7	17.1	7.6	9.6
Industrial	1,884,706	579,790	2,061,595	648,819	2,217,885	711,485	9.4	11.9	7.6	9.7
Public Streets	35,026	7,087	37,216	7,490	37,502	7,677	6.3	5.7	0.8	2.5
Sale for Resale	190,671	52,749	213,643	60,992	170,596	50,521	12.0	15.6	-20.1	-17.2
Fuel Cost Adjustment		14.887		23.886		9.579		60.4		-59.9

SOURCE OF BASIC DATA: Manila Electric Company (MERALCO)

Reflective of subdivision owners' compliance with development commitments including electrical installations as required by the government, residential usage reached 1,337.2 million k.w.h. valued at ₱320.1 million for the biggest incremental rates of 10.6 per cent and 11.7 per cent, respectively. In addition, the shift to electricity prompted by the temporary shortage of cooking gas at the close of the year, contributed to the rise in consumption.

The increase in commercial sales of electricity in 1978 was lower than in 1977. Commercial firms consumed only 1,743.0 million k.w.h., up by 7.6 per cent with a corresponding value of ₱608.0 million, or up by 9.6 per cent. Also expanding by 7.6 per cent, industrial power usage aggregated 2,217.9 million k.w.h. and valued at ₱771.5 million which accounted for 40 per cent of total sales. The intensified use of power was due largely to stepped-up production in response to improving foreign as well as domestic markets for local manufactures.

Public street lighting slowed down fractionally on power usage while that of sale for resale cut down substantially on power consumption.

In 1978 the fuel-cost-adjustment dropped by 59.9 per cent to ₱9.6 million as price differences in crude oil purchases softened.

g. Transportation

i. Philippine National Railways

The performance of the Philippine National Railways during the first six months of 1978 was adversely affected by the three-week suspension that occurred along the north rail route as it gave way to the completion of a major flood control project in the area.

Rail passengers aggregated 5.5 million during the first half of 1978 as against 6.8 million booked in the 1977 period or a drop of 19.0 per cent. Nonetheless, total receipts reached ₱26.3 million to exceed the year-ago level by 0.3 per cent. As in January-June 1977, first class passengers decreased from the previous year's level although by only 2.8 per cent in 1978 while third class passengers absorbing 95 per cent of total bookings suffered a 19.3 per cent downturn during the same period.

Freight and express cargoes handled weighed 120.4 thousand metric tons or a decrease of 11.8 per cent from the previous year's record. Freight tonnages accounted for the bigger bulk of 98.9 thousand metric tons with the express loads sharing 21.5 thousand metric tons. The corresponding gross receipts contracted by 12.8 per cent or nearly twice the decline in 1977 to ₱5.4 million.

TABLE 29. — NUMBER OF PASSENGERS CARRIED AND TOTAL RECEIPTS, PNR
January-June, 1976-1978
(Receipts in Pesos)

I t e m	January-June						Per Cent Change January-June			
	1976		1977		1978		1977		1978	
	No. of persons	Receipt	No. of persons	Receipt	No. of persons	Receipt	No. of persons	Receipt	No. of persons	Receipt
T O T A L	4,342,850	28,044,705.56	6,819,724	26,251,324.45	5,524,299	26,340,423.00	57.0	-6.4	-19.0	0.3
First Class	167,021	5,719,389.83	127,279	5,320,930.95	123,652	5,209,314.55	-23.8	-7.0	-2.8	-2.1
Third class	4,175,823	22,325,315.79	6,692,445	20,930,393.50	5,400,647	21,131,108.45	60.3	-6.2	-19.3	1.0

SOURCE OF BASIC DATA: Philippine National Railways.

TABLE 30 — NET TONNAGE AND GROSS RECEIPTS FOR FREIGHT
AND EXPRESS, PNR
January-June 1976-1978
(Gross receipts in pesos; Net tonnage in metric tons)

I t e m	January-June						Per Cent Change January-June			
	1976		1977		1978		1977		1978	
	Net tonnage	Gross receipt	Net tonnage	Gross receipt	Net tonnage	Gross receipt	Net tonnage	Gross receipt	Net tonnage	Gross receipt
T O T A L	158,623	6,687,582.74	136,634	6,251,603.05	120,445	5,451,825.95	-13.9	-6.5	-11.8	-12.8
Freight	126,312	3,355,401.24	111,207	3,603,080.76	98,903	3,273,592.74	-12.0	7.4	-11.1	-9.1
Express	32,311	3,332,181.50	25,427	2,648,522.29	21,542	2,178,233.21	-21.3	-20.5	-15.3	-17.8

SOURCE OF BASIC DATA: Philippine National Railways

TABLE 31. — INTERNATIONAL SHIPPING MOVEMENT
AT THE PORT OF MANILA, 1976-1978

(Net Tonnage: In Metric Tons)

I t e m	1976	1977	1978	Per Cent Change	
				1977	1978
Entered:					
No. of vessels	2,589	2,700	2,850	4.3	5.6
Net tonnage	10,499,721	10,578,483	11,302,230	0.8	6.8
Cleared:					
No. of vessels ..	2,686	2,697	2,804	0.4	4.0
Net tonnage	10,411,238	10,445,850	11,546,248	0.3	10.5

SOURCE OF BASIC DATA: Bureau of Customs

ii. International Shipping Movement

Brisker movement of bigger vessels characterized international maritime activities in the Port of Manila in 1978.

The marked upturn in imports during the year as well as the impending hike in freight rates were reflected in the greater number of vessel entries which aggregated 2,850 or an increase of 5.6 per cent as compared to the 4.3 per cent registered in 1977. Consequently, heavier tonnages marked the corresponding weights resulting in a 6.8 per cent increment or more than eight times the gain obtained a year ago.

With overstaying vessels limited to a minimum, vessel clearances picked up by 4 per cent, ten times the 1977 rate, to 2,804. This was accompanied by a net tonnage of 11.5 million metric tons or 10.5 per cent more than the previous year's weight.

2. EMPLOYMENT, WAGES AND GROSS SALES

a. *Employment*

The index (1972=100) on employment for 1978 moved up at a slower rate of 2.2 percent compared to the 4.5 per cent gain a year ago. The slowdown came mostly from a further cutback of 17 per cent in the employed force of the construction industry. During the period, there was a slackening in private building activity even as an expansion was noted in government projects and foreign contracts especially in the Middle East. With the completion of one major mining project and the mass lay off in certain mining firms which closed down fol-

lowing the enforcement of government pollution regulations, employment in mining and quarrying experienced a downturn of 7.4 per cent in 1978.

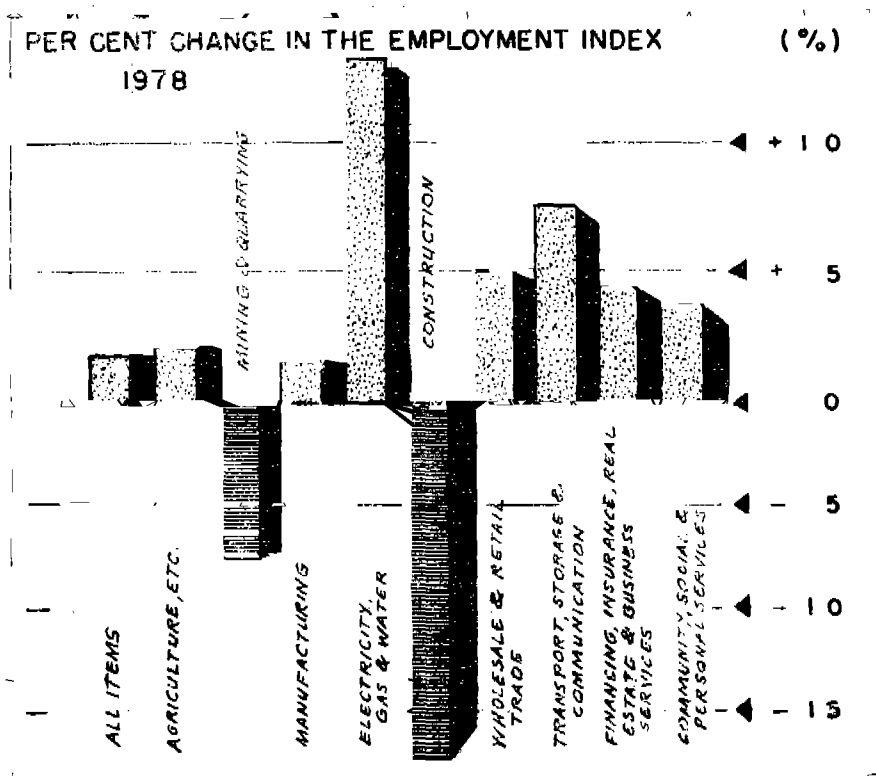


Chart 12

On the other hand, the other industry groups exhibited continued uptrends. With the increasing demand for power and water services, employment in electricity, gas and water improved by a high 13.3 per cent as compared to 2.6 per cent in 1977. Likewise, the transport sector augmented its work force by a bigger 7.6 per cent while brisker activity in land development contributed to the increased employment of the financing group by 4.3 per cent. Following similar trends, personal services went up by 3.7 per cent due primarily to the continued expansion of the hotel and restaurant industry.

Meanwhile, the agricultural, manufacturing and wholesale and retail sectors employed more workers during the year but at decelerated rates compared with those for 1977.

TABLE 32. — EMPLOYMENT INDEX BY INDUSTRY DIVISION
1976—1978
(1972=100)

Industry Division	1976	1977	1978	Per Cent Change	
				1977	1978
ALL ITEMS	120.8	126.2	129.0	4.5	2.2
Agriculture, etc.	108.2	116.3	118.5	7.5	1.9
Mining & quarrying	109.1	122.8	113.7	12.6	—7.4
Manufacturing	130.0	136.4	142.1	4.9	4.2
Electricity, gas & wa- ter	185.1	189.9	215.1	2.6	13.3
Construction	211.9	202.9	167.7	—4.2	—17.3
Wholesale & retail trade	115.6	123.5	129.7	6.8	5.0
Transport, storage & communication	100.9	102.2	110.0	1.3	7.6
Financing, insurance, real estate & busi- ness services	126.2	129.5	135.1	2.6	4.3
Community, social & personal services	11.5	114.4	118.6	2.6	3.7

SOURCES OF BASIC DATA: Sample establishments.

b. Wages

The average daily money wage rates for both skilled and unskilled laborers in Manila and suburbs in 1978 improved further by 12.3 per cent and 4.1 per cent, respectively. These were attributable mainly to the recent across-the-board adjustment in the minimum wage effective July 1, 1978, greater overtime pays as well as to the continued grant of monthly emergency allowance to wage earners.

In real terms, money wages of skilled laborers were up by 4.4 per cent, an increase of 2.0 percentage points over the comparable rate in 1977. On the other hand, the real wages of their unskilled counterparts declined further by 2.8 per cent in 1978 mainly as a result of higher prices which at the consumer level, increased by 7.3 per cent during the period.

**TABLE 33. — WAGE RATES OF LABORERS IN INDUSTRIAL
ESTABLISHMENTS IN MANILA AND SUBURBS
1976-78**

(1972=100)

Wage Rates	1976	1977	1978	Per Cent Change	
				1977	1978
MONEY WAGE RATES:					
Skilled laborers	124.4	137.5	154.4	10.5	12.3
Unskilled laborers	126.2	132.9	138.4	5.3	4.1
REAL WAGE RATES:					
Skilled laborers	71.2	72.9	76.1	2.4	4.4
Unskilled laborers	72.3	70.4	68.4	— 2.6	— 2.8

SOURCE OF BASIC DATA: Private firms.

c. *Earnings*

The average monthly earnings of both salaried employees and wage earners went up further notwithstanding inflationary trends in 1978. Salaried employees gained by a substantial 17.4 per cent (1972=100), three times that of a year ago, while wage earners showed a 13.5 per cent improvement compared to the minimal gain of 0.7 per cent in 1977.

Mainly responsible for these appreciable gains in earnings were the monthly emergency allowance granted since mid-1977, minimum wage adjustment effective July 1, 1978, salary increases in various private and public establishments as well as the occasional overtime pays and night differentials.

Salaried employees in eight out of nine covered industries enjoyed bigger take-home pays during the period. Induced by increased banking and land development activities, the financing group posted the highest increment of 27.5 per cent. Meanwhile, the agricultural sector, still in the course of a recovery since the third quarter of 1978, came up from the slump in 1977 with a creditable 22.2 per cent. This substantial reversal in agricultural earnings was a result mainly of expanded logging operations as well as increased demand for agricultural export crops following the price recovery in the world market.

**TABLE 34. — AVERAGE MONTHLY EARNINGS INDEX OF
SALARIED EMPLOYEES, BY INDUSTRY DIVISION
1976-1978
(1972=100)**

Industry Division	1976	1977	1978	Per Cent Change	
				1977	1978
ALL WORKERS	151.6	158.8	186.5	4.8	17.4
Agriculture, etc.	140.2	129.1	157.7	-7.9	22.2
Mining & quarrying	125.6	138.8	164.9	10.5	18.8
Manufacturing	155.4	175.4	190.6	12.9	8.7
Electricity, gas & water	227.8	251.9	283.4	10.6	12.5
Construction	188.6	168.5	168.4	-10.2	-0.1
Wholesale & retail trade	163.1	177.2	216.3	8.7	22.1
Transport, storage & communication	182.8	174.0	181.5	(4.8)	4.3
Financing, insurance, real estate & busi- ness services	167.0	202.1	257.6	21.0	27.5
Community, social & personal services	122.0	129.0	146.1	5.7	13.3

SOURCE OF BASIC DATA: Sample establishments.

**TABLE 35. — AVERAGE MONTHLY INDEX WAGE EARNERS,
BY INDUSTRY DIVISION
1976-1978
(1972=100)**

Industry Division	1976	1977	1978	Per Cent Change	
				1977	1978
ALL WORKERS	143.8	144.8	164.4	0.7	13.5
Agriculture, etc.	146.8	121.6	135.2	(17.2)	11.2
Mining & quarrying	157.9	204.6	223.8	29.6	9.4
Manufacturing	155.6	162.7	195.6	4.6	20.2
Electricity, gas & water	128.9	125.7	115.7	(2.5)	(8.0)
Construction	158.3	183.4	205.2	15.9	11.9
Wholesale & retail trade	119.1	125.1	135.9	5.0	8.6
Transport, storage & communication	165.6	180.1	223.5	8.8	24.1
Financing, insurance, real estate & busi- ness services	157.5	189.3	212.4	20.2	12.2
Community, social & personal services	120.9	117.1	131.2	(3.1)	12.0

SOURCE OF BASIC DATA: Sample establishments.

Similarly, wage earners in all industries registered further increases in earnings except for electricity where workers' total earnings for the year dropped anew by 8.0 per cent. The higher receipts obtained by the transport sector as well as the increase in outward shipping activity in the port of Manila were reflected in improved earnings of laborers engaged in transport, storage and communication by 24.1 per cent. Other improvements of the group during the period ranged from 8.6 per cent (wholesale & retail trade) to 20.2 per cent (manufacturing).

d. Gross Sales

Reflecting the effects of brisker trading activities and higher prices the gross sales index for 1978 stood at 296.1 (1972=100) for an appreciable gain of 16.1 per cent, twice that of 1977.

The highest sales expansion was recorded by the services group which grew by 24.4 per cent following a 3.2 per cent setback in the previous year. Higher hotel and restaurant receipts during the latter part of 1978 as well as the increase in educational and rental cost in the middle of the year supported this growth.

Likewise, the transport, storage and communication sector bounced back from a slump of 3.9 per cent to an 8.2 per cent gain. As wholesale prices rose by 6.8 per cent and retail prices by 6.1 per cent, gross receipts of wholesalers and retailers continued to expand with an accelerated growth rate of 17.9 per cent. Higher prices of mineral and medicinal products as well as higher disposable income from the export sector accounted much for the high sales performance of this group.

TABLE 36. — GROSS SALES AND/OR RECEIPTS INDEX
BY INDUSTRY DIVISION
1976-1978

(1972=100)

Industry Division	1976	1977	1978	Per Cent Change	
				1977	1978
ALL ITEMS	236.0	255.0	296.1	8.1	16.1
Manufacturing	252.4	288.2	373.6	14.2	12.3
Electricity, gas & water	348.8	389.6	451.6	11.7	15.9
Wholesale & retail trade	274.9	303.3	357.6	10.3	17.9
Transport, storage & communication	212.1	203.9	220.6	(3.9)	8.2
Community, social & personal services	175.2	169.6	211.0	(3.2)	24.4

SOURCE OF BASIC DATA: Sample establishments

Similarly, electricity, gas and water moved further from an increase of 11.7 per cent in 1977 to 15.9 per cent in 1978 despite the slowdown recorded in total power production during the year. This came about due to the average increases toward the latter part of the year of 11 per cent in power rates (NPC) and 74 per cent in water rates which were aimed not only to improve the sector's service but also to discourage wasteful consumption. The manufacturing sector also contributed to the overall gain although at a decelerated growth rate of 12.3 per cent coming mostly from food, chemicals and paper.

D. DEVELOPMENTS IN THE EXTERNAL SECTOR

1. FOREIGN EXCHANGE POLICY

In 1978 the Central Bank's foreign exchange policy continued to be directed at improving the country's external payments position and lending support to domestic economic and financial activities. The promotion of exports by revising export-related procedures and documentation and the facilitation of specific short-term foreign borrowings by export-oriented enterprises reflected efforts to strengthen the nation's foreign trade performance. The liberal policy on foreign investments was maintained. Foreign firms that failed to meet the prescribed debt-to-equity ratio were allowed to acquire certificates for peso loans subject to certain conditions designed basically to encourage capital adequacy in these firms. Other official actions taken sought to delineate special lending operations under the Central Bank's consolidated foreign borrowings program, provide ceilings on interest spreads for various types of foreign borrowings and continue the liberalization of import restrictions. These and other measures were embodied in various circulars and memoranda issued during the year, the more significant of which were the following:

1. Authorized agent banks were required to adopt the Revised Rules and Regulations on the processing of exportation papers which were designed to simplify export procedures and standardize related documentation in accordance with Presidential Decree 930 issued on May 16, 1976. (MAAB No. 12 dated January 27, 1978).

2. Foreign firms whose total debt-to-equity ratio had exceeded the prescribed ratio even after being given time to meet such ratio were allowed to acquire certificates for peso borrowings provided they had not declared/distributed dividends or profits and/or partially withdrawn capital after July 1, 1978 and had committed themselves not to do so during the validity of the certification or until such time when the prescribed ratio had been attained. (Circular No. 616 dated July 5, 1978). Prior to this, Circular No. 601 (dated March 31, 1978) was issued providing sanctions under R.A. 265 for violations of Circular No. 572 and the Guidelines on domestic borrowings of foreign firms.

3. Prior Central Bank approval ceased to be required for short-term loans of foreign currency deposit units and offshore banking units to Central Bank-certified export-oriented and/or BOI-registered enterprises under the Export Incentives Act that would be needed to meet current pre-export financing requirements and/or importation of raw materials, supplies and spare parts subject to the conditions stipulated in Circular No. 641 dated November 20, 1978.

4. Under Circular No. 607 (April 19, 1978), foreign credits of the Central Bank under its consolidated foreign borrowings program would be placed in a special fund. Lending operations under this fund would be governed by the guidelines contained in the said circular that covered such matters as eligible borrowers and purposes of loans, repayment periods, interest rates, various types of fees, currency of lending and repayment, credit risk and collateral requirements.

5. Ceilings were established on interest spreads for different classifications of foreign borrowings in an attempt to align interest rates for such credits with those prevailing in international capital markets or those charged by international financial institutions. (Circular No. 595 dated February 3, 1978).

6. To facilitate the inflow of foreign exchange arising from the exportation of labor which had recently become an important source of foreign currency earnings, firms engaged in the recruitment, placement or hiring of Filipino workers for overseas employment were allowed to qualify as special authorized foreign exchange dealers of the Central Bank. (Circular No. 642 dated December 18, 1978).

7. Other circulars and memoranda issued during the year were aimed at continued liberalization of restrictions on commodity imports; use of the Philippine Standard Commodity Classification, an improved system integrating all classification systems previously used in the country, including international trade classifications and further streamlining of the operations of foreign currency deposit units.

2. BALANCE OF PAYMENTS

✓a. Overall

In 1978, the country's balance of payments registered an overall deficit of \$54 million, reversing the \$164 million surplus posted a year ago. Imports grew at a much faster rate than exports and by year-end, the trade deficit was \$1,307 million, more than half a billion dollars greater than the 1977 trade gap. Positive developments in some services accounts, transfers and capital movements, however, served to greatly reduce the impact of the trade deficit on the overall payments position.

Reflecting an improvement of 8.7 per cent over the previous year's level, exports were valued at \$3,425 million in 1978. Much of this increase was attributable to higher earnings from coco-

nut oil, lumber and two non-traditional commodities; semi-conductor devices and iron ore agglomerates both of which were included, for the first time, in the list of ten principal exports. Other non-traditional exports, both manufactured and unmanufactured also expanded significantly, an indication of growing foreign demand for these products. Developments in other commodities, however, were not as favorable. Overproduction in many countries and industry lobbies for protection in the United States depressed demand for Philippine sugar; earnings from this commodity dropped to considerably less than half the earnings in 1977. Lower proceeds from copper concentrates, desiccated coconut, and nickel held down further the growth in exports.

The direction of commodity exports remained essentially the same as in previous years more than 50 per cent of their total value was attributed to the U.S. and Japanese markets. Other major outlets were the European Economic Community and the ESCAP region. Meanwhile, exports to communist and socialist countries went down substantially as sales of coconut oil, copper and sugar to the USSR and the PROC reflected downward trends.

Imports increased by a considerable 20.9 per cent over their 1977 level to \$4,732 million this year. On the whole, the rise in total import value was the offshoot of a relatively sizeable expansion in quantities purchased and a modest rise in prices. More than one-fifth of aggregate imports was in the form of mineral fuels, lubricants and related materials whose value reached over a billion dollars during the year. Other major imports that exhibited significant rates of growth were transport equipment, particularly the requirements of the local car and truck manufacturing programs; electric machinery, apparatus and appliances as well as chemical elements and compounds. Classified by end-user, about 93.8 per cent of total imports were producer goods, particularly semi-processed and unprocessed raw materials; consumer products accounted for only 6.2 per cent of the aggregate value. The principal sources of the country's imports were Japan, the U.S., Europe and the Middle East.

The net terms of trade showed a 6.4 per cent improvement in 1978 after going down continuously in the preceding three years, cushioning to some extent the impact of the trade deficit. Because of a slight decrease in the quantity of exports, their purchasing power increased by a more modest rate of 3.0 per cent.

Gains in some services accounts and private transfers partially offset the trade deficit. Earnings from travel, which continued to be a major source of foreign exchange, amounted to \$210 million, up by 44.8 per cent from 1977. The rise in the employment of Filipino workers abroad resulted in higher inward remittances from this source, \$306 million in 1978, and increases in earnings from other services were registered. Private transfers also went up by 33.8 per cent to \$198 million. On the other hand, transportation and merchandise insurance showed a higher

er net outflow of \$356 million, and there was a decline in pensions from the U.S. government. As a result, the goods and services account reflected a deficit of \$1,292 million, 52.5 per cent greater than the corresponding deficit a year ago.

TABLE 37. — BALANCE OF PAYMENTS OF THE PHILIPPINES
1977 and 1978
(Million U.S. Dollars)

I t e m	1978p/	1977
A. Goods and Services		
Exports, f.o.b.	3,424.8	3,150.89
of which non-monetary gold ...	75.74	71.00
Imports, f.o.b.	4,732.20	3,914.76
of which crude oil	907.31	858.75
of which other petroleum products	103.07	125.46
Trade Balance	(1,307.32)	(763.87)
Transportation and merchandise insurance	(355.58)	(272.15)
Travel	158.75	110.35
Investment Income	(403.41)	(320.75)
Service rendered to U.S. Military	71.53	55.39
Pensions from U.S. government	85.82	92.15
Private Transfers	197.95	147.96
Others	260.03	103.84
Total A	(1,292.23)	(847.08)
B. Official Grants and Long-Term Capital		
Reparations from Japan	—	7.84
Other Grants	28.62	12.00
Private loans	217.40	133.93
Official loans	616.00	527.97
Other private capital	161.23	216.49
Other official capital	—	—
Total B	1,023.25	898.23
C. Short-term Capital and Net Errors & Omissions		
Private short-term capital	139.70	295.46
Official short-term capital	7.84	16.03
Net Errors and Omissions	34.78	(198.62)
Total C	182.32	112.87
D. Monetization of Gold	32.32	—
E. Overall Position (A thru C)	(54.34)	164.02
F. Monetary Movements		
Net IMF Accounts	33.23	78.82
Central Bank Liabilities	17.99	(522.04)
Special Drawing Rights	6.51	(8.67)
CB foreign exchange assets — Inc (—)	(290.22)	125.26
Commercial Banks foreign exchange Assets — Inc (—)	(573.23)	(174.70)
Commercial Banks Liabilities ...	933.98	337.31
Monetary Gold	(73.92)	—
Total E	54.34	(164.02)

Positive developments in long-term capital movements culminated in a 13.3 per cent increase in net inflows from the previous year to \$995 million in 1978. Over half of this was negotiated by the public sector and the balance constituted private loans. Net private loans rose from \$134 million in 1977 to \$217 million this year. A great part of the gross inflow was utilized for refinancing the foreign obligations of major sectors, particularly the sugar industry which suffered a significant cutback in exports, and mining. Likewise, net official loans increased by 16.7 per cent to \$616 million following the acceleration in the repayment of certain foreign obligations. The bulk of the gross inflow was used for loan refinancing and the acquisition of equipment for infrastructure development and the improvement of public services. As Philippine investments abroad went up at the same time that there was an increase in the withdrawal of foreign capital from the country, the net inflow from other private capital transactions decreased to \$161 million or by 25.5 per cent. This inflow was nevertheless considered sizeable with most of it being invested in manufacturing, mining and financial institutions. Like in previous years, the principal sources of foreign investments in 1978 were the U.S. and Japan. With government grants valued at \$29 million, the official grants and long-term capital account posted a positive balance of \$1,023 million, practically covering the deficit in goods and services.

Short-term capital movements reflected a net inflow of \$147 million, significantly lower than the \$311 million registered a year ago. Fixed-term credits showed a net outflow and revolving credits a higher net inflow. With errors and omissions at positive \$35 million, the overall payments position ended with a deficit of \$54 million.

Notwithstanding this negative balance, the country's international reserve rose by \$358 million from 1977 to \$1,883 million by the end of 1978. The increase was reflected in the growth in some of the Central Bank's foreign exchange assets, particularly its gold holdings and various types of investments placed abroad.

b. *External Trade*

Philippine trade with the rest of the world continued to grow in 1978 but at a relatively decelerated pace. Valued at \$8,157 million, total trade during the year expanded by 15.4 per cent, compared to the 1977 gain of 16.8 per cent. Of the country's total trade, \$4,732 million or 58.0 per cent represented imports while the difference of \$3,425 million or 42.0 per cent were exports.

The slower rate of growth in the country's trade this year was caused mainly by the slow advance of exports which grew by only 8.7 per cent in contrast to the sharp rise of 22.4 per cent posted a year ago. Underlying this development were such

factors as increasing protectionism, the generally favorable crop conditions abroad, inventory build-up of some commodities and the reduction in sugar exports.

Among the export products, sugar suffered the largest short-fall in value by 61.5 per cent as a consequence of the sizeable cut-back in volume shipments. Under the International Sugar Agreement the quota of 1.141 million metric tons assigned to the Philippines for the year was about 46.7 per cent lower than the preceding year's shipments. Other exports posting substantial downswings in earnings were copra (32.3 per cent), desiccated coconut (9.1 per cent) and copper concentrates (6.5 per cent).

EXTERNAL TRADE 1976-1978

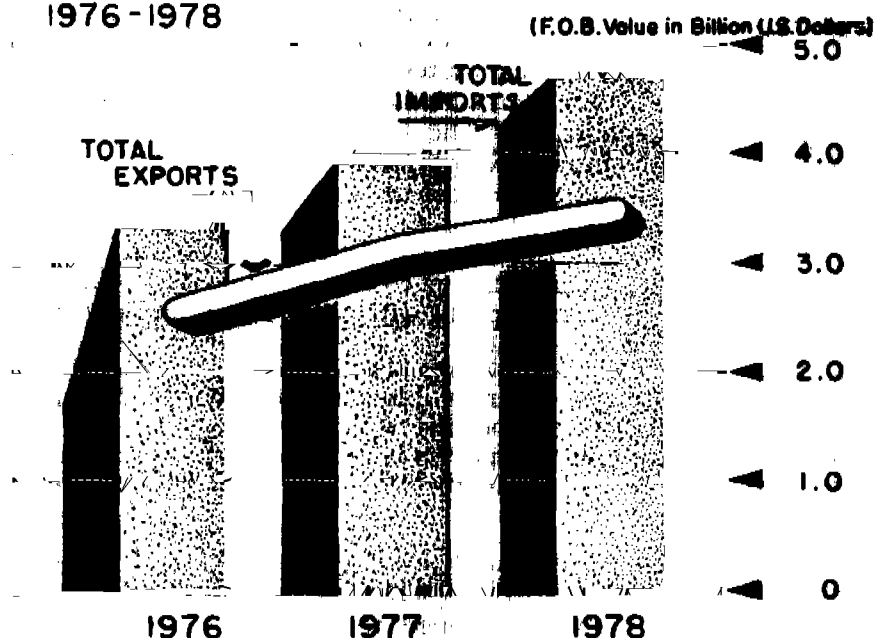


Chart 13

On the brighter side however, was the favorable performance of the country's non-traditional exports which recorded a considerable gain of 45.4 per cent after increasing by 30.4 per cent in the previous year. Three non-traditional exports, namely: semi-conductor devices, iron ore agglomerates and bananas were in the list of the ten principal exports for 1978.

Imports, on the other hand, rose at a much faster pace of 20.9 per cent compared to the increase of 7.8 per cent in 1977, as higher prices as well as heavier inward shipments, particularly of raw materials and machineries to sustain manufacturing

and infrastructure projects, were noted in the country's major imports. Significantly, only cereals and cereal preparations among the top ten imports failed to surpass the previous year's level.

With imports accelerating faster than exports, the trade deficit in 1977 of \$764 million widened by \$543 million or 71.1 per cent to \$1,307 million this year.

Index-wise, there was an appreciable improvement in the country's net terms of trade by 9.2 per cent. Had it not been for this modest rise, the trade deficit, which emanated from the 16.7 per cent upturn in volume and the 3.6 per cent rise in price of imports and the small 3.8 per cent decrease in export volume, could have been greater. The purchasing power of exports, which was negatively affected by the dip in export volume, expanded by 4.9 per cent to 117.3 (1972=100).

Japan and the United States remained the principal trading partners of the country both accounting for roughly half of total Philippine trade. The United States was the leading market for the country's exports, absorbing nearly 33.2 per cent of total exports. It was the second biggest supplier of the country's import needs, delivering 21.0 per cent of total imports. On the part of Japan, it followed the United States as the top export outlet, purchasing 23.5 per cent of total exports but was the principal source of imports with sales representing 26.8 per cent of aggregate imports.

Trade with the different blocs/regions were all on the upsurge, except for the socialist & communist countries. The decline in trade with this particular bloc was caused mainly by the slowdown in exports to the USSR and the People's Republic of China.

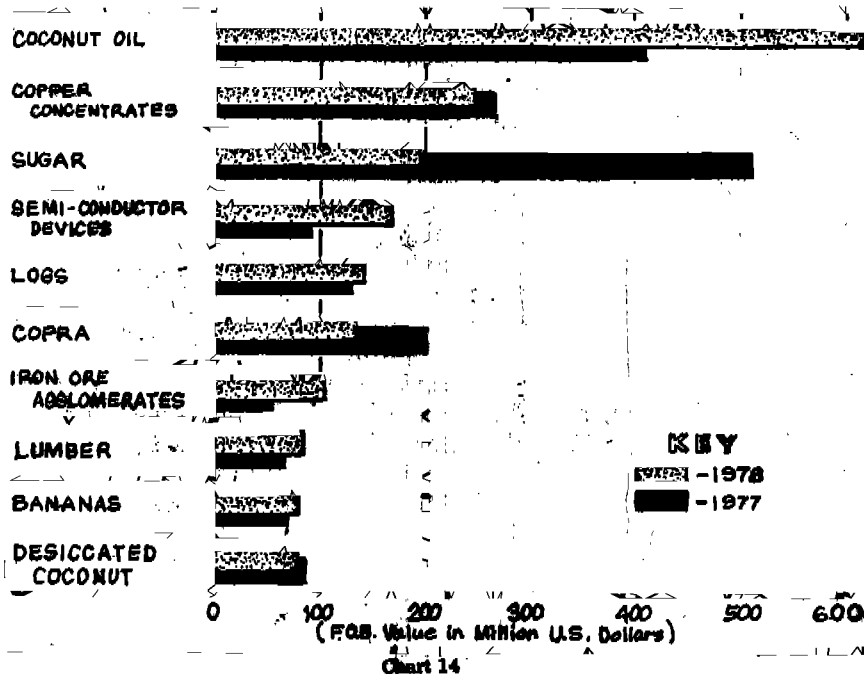
i. Exports

Philippine exports continued to register improvements in 1978, although at somewhat slower rates compared to the previous year. The moderate economic growth in major industrial nations was to a large extent responsible for dampening world demand for primary commodities. Totalling \$3,424.9 million, exports rose by a modest 8.7 per cent in 1978, compared to a sizeable 22.4 per cent in 1977. This was brought about wholly by favorable world market prices for most of the country's principal export products even as cutbacks in shipments were registered during the year.

Non-traditional exports amounting to \$1,417.8 million recorded an impressive gain of 44.0 per cent in 1978 reflecting in part, the growing importance of these products as one of the country's principal sources of foreign exchange. Significantly, the

three top non-traditional exports—semi-conductor devices, iron ore agglomerates and bananas—were included in the list of the country's ten leading exports this year. Meanwhile, earnings from traditional exports which were heavily affected by the slump in demand abroad fell by 5.7 per cent to \$1,979.1 million after dropping by 0.2 per cent in the preceding year. With these developments, the share of non-traditional exports to total exports expanded to 41.1 per cent from 30.4 per cent in the previous year. Conversely, the share of traditional exports contracted to 58.0 per cent from last year's 65.2 per cent.

TEN PRINCIPAL EXPORTS, 1977 & 1978



The list of the country's ten leading exports underwent some changes in 1978 with iron ore agglomerates and lumber making it to the list, displacing gold and nickel. Among the commodities listed, coconut oil, semi-conductor devices, logs, iron ore agglomerates, bananas, and lumber enjoyed a boom year while the rest posted negative trends. All in all, the aggregate value of the ten leading exports reached \$1,877.2 million, representing 54.8 per cent of total exports.

Coconut oil dominated this year's export performance by replacing sugar from the number one position, accounting for \$620.6 million or 18.1 per cent of all exports. On an annual basis, proceeds from the top export earner increased by 45.2 per cent,

comparing favorably with the 39.5 per cent growth in 1977. This windfall was realized through heavier overseas deliveries by 247 thousand metric tons or 32.1 per cent as well as a price hike of \$74.57 per metric ton or 13.9 per cent. The United States reasserted itself as the leading market for Philippine coconut oil by absorbing a little less than half (48.4 per cent) of total shipments. Other heavy buyers were the Netherlands (15.2 per cent), Indonesia (10.8 per cent) and the USSR (4.2 per cent).

After rising by 0.7 per cent in 1977, exports of copper concentrates dropped this year by 6.5 per cent to \$250.4 million. In spite of this, it moved up as the second top dollar earner for 1978 with a share of 7.3 per cent in total exports. Prices of copper concentrates improved by about \$13.83 per metric ton or 5.2 per cent, but this was not enough to neutralize the shortfall in volume which receded from 1,007 thousand metric tons to 895 thousand metric tons—a difference of 112 thousand metric tons or 11.1 per cent. About four-fifths of total copper shipments went to Japan while the rest were channeled mostly to South Korea, the United States and Taiwan.

Sugar, which was the premier export in the previous year, was relegated to third position on account of a drop in value of 61.5 per cent. Behind this sizeable decrement was the 54.0 per cent volume reduction which was further aggravated by the 23.2 per cent downward movement in prices. The shortfall in volume was triggered by the operation of the International Sugar Agreement which set the quota of the Philippines at 1,141 million metric tons (shipments for the previous year amounted to 2,023 million metric tons) and the imposition of higher tariffs on imported sugar by the United States. Compounding these unfavorable factors was the further softening of sugar prices in the market which for 1978 averaged 8 U.S. cents per pound as against 10 U.S. cents per pound in 1977. Of the total \$196.9 million sugar exports, 55.9 per cent went to the United States. No shipments were made this year to the USSR, which in 1977 accounted for 25.9 per cent of total sugar exports. The PROC, however, raised its share from 10.8 per cent in 1977 to 17.6 per cent in 1978.

The top non-traditional export—semi-conductor devices—moved to fourth position with a contribution of \$173.6 million or 5.1 per cent of total exports. Its growth rate of 83.6 per cent, compared to the 22.8 per cent in 1977, was the highest recorded during the year. In volume terms, deliveries totalling 1,156 metric tons expanded sharply by 67.3 per cent due to the higher level of overseas demand. In addition, the marked improvement in prices which for the period posted an average increase of 9.8 per cent contributed to the strong performance of semi-conductor devices. The United States was the main outlet for this product absorbing 51.1 per cent of total exports, followed by Singapore (10.3 per cent), Japan (10.3 per cent) and West Germany (8.3 per cent).

Shipments of logs expanded by 8.3 per cent to \$144.9 million, in contrast to the 1.1 per cent contraction in the preceding year. An appreciable 8.1 per cent growth in volume was observed this year although prices, more or less, remained at last year's level. As in previous years, Japan accounted for nearly three-fourths (\$107.3 million) of the total exports of logs with the difference being sold to Taiwan and France.

Due to the policy of expanding exports of processed coconut-based products, copra shipments were reduced by a sharp 42.4 per cent from the prior year's record of 635 thousand metric tons to 365 thousand metric tons but prices improved from \$315.97 per metric ton to \$371.49 per metric ton, thus resulting in a decline in value of only 32.3 per cent. This was a reversal of last year's gain in value of 33.9 per cent. It contributed \$135.7 million or 4.0 per cent to total exports and was the sixth leading export for the year. With purchases amounting to \$79.6 million, the Netherlands maintained its position as the biggest market for copra. West Germany, Japan and France were the other major customers.

TABLE 38. — TEN PRINCIPAL EXPORTS

1977-1978

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

Commodity	1978		1977	
	Value	Per Cent Distribution	Value	Per Cent Distribution
Coconut oil	620.5	18.1	412.2	13.1
Copper concentrates	250.4	7.3	267.8	8.5
Sugar	196.9	5.7	517.7	16.2
Semi-conductor devices	173.6	5.1	94.6	3.0
Logs	144.9	4.2	133.7	4.2
Copra	135.7	4.0	200.5	6.4
Iron ore agglomerates	104.0	3.0	57.1	1.8
Bananas	84.1	2.5	72.5	2.3
Lumber	85.2	2.5	66.7	2.1
Desiccated coconut	81.9	2.4	90.0	2.9
TOTAL TEN PRINCIPAL EXPORTS	1,877.2	54.8	1,906.8	60.5
Others	1,547.7	45.2	1,244.1	39.5
TOTAL EXPORTS	3,424.9	100.0	3,150.9	100.0

Influenced by a big 65.4 per cent upswing in volume and a 10.2 per cent price increase, iron ore agglomerate exports advanced by an impressive 82.2 per cent—the second highest for the year. Only in its second year in the market, this commodity landed in the list of the top ten exports, occupying the seventh position with a share of 3.0 per cent of total exports. Except for a \$0.3

million shipment which was absorbed by Taiwan, the entire export of iron ore agglomerates worth \$104.0 million went to Japan.

Ranked eighth was lumber with exports valued at \$85.2 million. As a result of an improvement in volume by 25.8 per cent coupled with a 1.6 per cent rise in prices, earnings from this commodity advanced by 27.8 per cent from the previous year's earnings of \$66.7 million. The major outlets for this commodity were France, Japan and the United States.

Completing the list of the top ten exports were bananas and desiccated coconut whose earnings collectively amounted to \$166.0 million. Both commodities, however, exhibited contrasting trends—the former exceeding its year ago level by 16.0 per cent while the latter registering a decline of 9.0 per cent. The expansion in banana exports was the offshoot of a 12.1 per cent gain in volume complemented by a 3.6 per cent price hike. On the other hand, the weakening in desiccated coconut exports emanated from the combined effects of the 7.3 per cent quantum decrement and the 1.9 per cent fall in prices. Japan was the biggest buyer of bananas while the United States accounted for the bulk of desiccated coconut exports.

ii. Imports

Keeping pace with the tempo of development, Philippine imports in 1978 advanced by \$817.4 million or 20.9 per cent to \$4,732.2 million, compared to the increase of \$281.3 million or 7.7 per cent in 1977. The higher level of imports reflected a rise in volume and prices by 16.7 per cent and 3.6 per cent, respectively.

The bulk of the increase in imports came from producer goods which posted an annual gain of \$761.4 million or 20.7 per cent. Contributing mainly to this accretion were the increases in semi-processed raw materials (29.1 per cent), machinery and equipment (25.4 per cent) and supplies (0.2 per cent). In the case of consumer goods, arrivals likewise expanded by 23.6 per cent due mostly to the 22.0 per cent acceleration in non-durable items.

The ten principal imports accounted for \$3,427.2 million or 72.4 per cent of total imports in 1978—up by 18.4 per cent from the preceding year's level. Except for cereals and cereal preparations, all of the ten major imports surpassed their year previous levels.

Mineral fuels, lubricants and related materials as a group topped the list of ten principal imports accounting for almost one-fourth (21.8 per cent) of all imports. Totalling \$1,030.2 million, the value of this year's oil imports rose at a decelerated rate of 3.7 per cent as against the 11.5 per cent recorded a year

ago. The smaller increase was attributed to the use of alternative energy sources and renewed government efforts at energy conservation.

Second on the list with arrivals valued at \$737.2 million was machinery other than electric. Arrivals of this commodity group grew by 25.2 per cent this year, in contrast to the 5.8 per cent decline in 1977, due to heavier imports of construction, mining and manufacturing machineries.

With a combined share of 16.3 per cent transport equipment and base metals emerged as the third and fourth leading imports. Transport equipment recorded a sharp growth of 31.9 per cent due to the sizeable importations of OKD parts for cars and trucks as well as heavy purchases of aircraft parts by the national air carrier. Likewise, arrivals of base metals increased by 25.5 per cent due to the heavier demand for steel and iron.

PER-CENT CHANGES IN THE VALUE OF PRINCIPAL IMPORTS, 1978

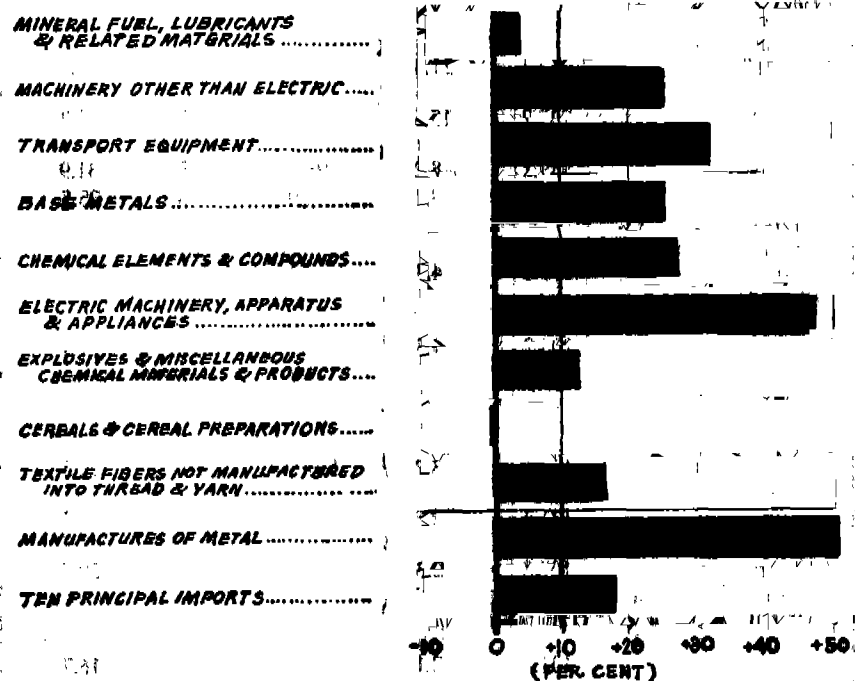


Chart 16

Chemical elements and compounds, electric machinery, apparatus and appliances, and explosives and miscellaneous chemical materials and products in that order, were the fifth to the seventh ranking imports for the year and together repre-

sented 11.8 per cent of total imports. Among these three commodity groups, the most significant increases were registered by electric machinery, apparatus, and appliances (47.4 per cent) and chemical elements and compounds (27.1 per cent). The big gain in the first group was to a great extent caused by bigger inward shipments of electrical machinery for the manufacturing industry while the expansion in the second group emanated from larger purchases of chemical compounds and urea. Imports of explosives and miscellaneous chemical materials and products registered a growth of only 12.5 per cent, as a result of stock adjustments after the increase of 16.8 per cent in 1977.

TABLE 39. — TEN PRINCIPAL IMPORTS
1977-1978

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

I t e m	1978		1977		Per Cent Change in Value
	Value	Per Cent Distribution	Value	Per Cent Distribution	
Mineral fuel, lubricants & related materials	1,030.2	21.8	993.2	25.4	3.7
Machinery other than electric	737.2	15.6	589.0	15.1	25.2
Transport equipment	389.1	8.2	295.1	7.5	31.9
Base metals	382.7	8.1	304.9	7.8	25.5
Chemical elements & compounds	203.3	4.3	160.0	4.1	27.1
Electric machinery, apparatus & appliances	203.2	4.3	137.9	3.5	47.4
Explosives & miscellaneous chemical materials & products	151.6	3.2	134.7	3.4	12.5
Cereals & cereal preparations	121.4	2.5	121.7	3.1	-0.2
Manufactures of metal	107.3	2.3	71.3	1.8	50.5
Textile fibers not manufactured into thread & yarn	101.2	2.1	86.7	2.2	16.7
TOTAL TEN PRINCIPAL IM- PORTS	3,427.2	72.4	2,894.5	73.9	18.4
TOTAL IM- PORTS	4,732.2	100.0	3,914.8	100.0	20.9

TABLE 40. -- IMPORTS CLASSIFIED BY END-USE
1977-1978

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

I t e m	1978 ^{p/}		1977 ^{a/}	
	Value/	Per Cent Distribution	Value	Per Cent Distribution
Producer goods	3,965.93	93.75	3,675.47	93.89
Machinery & equip- ment	610.46	14.43	544.50	13.91
Unprocessed raw ma- terials	1,034.35	24.45	1,074.09	27.44
Semi-processed raw materials	2,141.95	50.64	1,856.57	47.42
Supplies	179.17	4.24	200.31	5.12
Consumer goods	264.20	6.25	239.29	6.11
Durable	23.87	0.56	18.55	0.47
Non-durable	240.33	5.69	220.74	5.64
TOTAL IMPORTS ...	4,230.13	100.00	3,914.76	100.00

Cereals and cereal preparations recorded a shortfall of 0.2 per cent as a result of cutbacks in the importation of rice and corn. No rice imports were registered as domestic production was more than sufficient to meet the country's requirements.

Imports of manufactures of metal and textile fibers not manufactured into thread and yarn together contributed 4.4 per cent of aggregate imports with incoming shipments rising by 50.5 per cent and 16.7 per cent, respectively. Higher consumption of the various items comprising the two commodity groups accounted for the uptrend.

iii. Direction of Trade

The direction of Philippine overseas trade in 1978 continued to be concentrated towards the United States and Japan. These two countries provided 47.8 per cent of the Philippines' total import needs and absorbed 56.6 per cent of total Philippine exports. Trade with the United States valued at \$2,131 million was slightly higher than that with Japan which totalled \$2,074 million. Percentage-wise, however, the share of the United States to total trade amounting this year to 26.1 per cent, fell by 0.9 percentage point while Japan's share rose by 1.3 percentage points to 25.4 per cent.

For the third consecutive year, the United States remained the biggest outlet for Philippine exports with sales of \$1,136 million or 33.2 per cent of total exports. Compared to the big rise of 20.3 per cent in 1977, shipments to the United States showed a gain of only 2.2 per cent in 1978. Had it not been for the huge

cutback in sugar sales this year, exports to this market would have been higher. The United States led all others in the purchase of desiccated coconut, nickel and coconut oil.

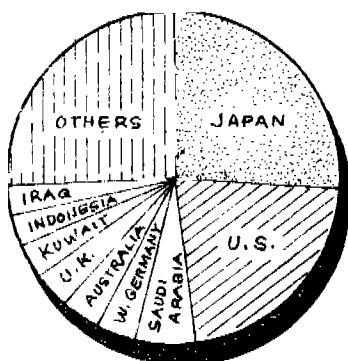
Meanwhile, imports from the United States totalling \$995 million advanced by 24.5 per cent after declining by 0.3 per cent a year ago. These arrivals, comprising 21.0 per cent of aggregate imports, consisted largely of cereals and cereal preparations; textile fibers not manufactured into yarn; machinery other than electric; electric machinery, apparatus and appliances; and explosives and miscellaneous chemical materials. Though exports still outpaced imports, the stronger growth exhibited by imports over exports reduced the trade surplus with the United States from \$313 million last year to \$141 million in 1978.

DIRECTION OF EXTERNAL TRADE, 1978

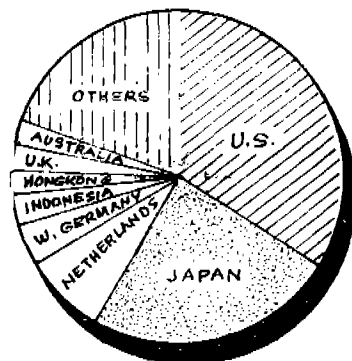
(Per Cent Distribution)

IMPORTS FROM...

EXPORTS TO...



TOTAL: \$4,732 M.
(100 %)



TOTAL: \$3,425 M.
(100 %)

Chart 16

Japan, on the other hand, was the country's major source of imports—a position it has maintained since 1969. Arrivals from Japan expanded by 30.2 per cent to account for \$1,270 million or 26.8 per cent of total imports. Of the top ten imports, Japan had the upperhand in the supply of seven of these commodity groups, namely: transport equipment; electric machinery, apparatus and appliances; manufactures of metal; base metals; machinery other than electric; chemical elements and compounds; and explosives and miscellaneous chemical materials.

Japan was also the second biggest market absorbing \$804 million or 23.5 per cent of total exports. It was the premier market for copper concentrates, logs, lumber, bananas and gold. Imports from, and exports to Japan, registered increases of \$295 million and \$77 million, respectively, from their levels in the preceding year. As a result, the deficit from this trade worsened from \$248 million to \$466 million in the annual comparison.

Trade with the European Economic Community (EEC) totaling \$1,236 million continued to advance impressively, growing by 17.6 per cent after rising by 14.0 per cent in 1977. This bloc captured 15.2 per cent of total Philippine trade, an increase of 0.3 percentage point from its share a year ago.

Exports to this bloc accelerated by 9.5 per cent to \$638 million, comprising 18.6 per cent of total exports. The Netherlands, the Philippines' principal buyer of copra, was the top export market in the community, absorbing \$285 million of Philippine products. Other large markets were West Germany (\$144 million), the United Kingdom (\$89 million) and France (\$52 million). The bulk of products sold to the EEC consisted of coconut-based products, forest-based products and nickel.

At \$598 million, imports from the EEC climbed by 27.5 per cent from last year's level and represented 12.7 per cent of total imports. During the year, West Germany replaced the United Kingdom as the leading supplier among the group. Arrivals from West Germany reached \$184 million against the \$172 million contributed by the United Kingdom. Other dominant suppliers were France and the Netherlands. Machinery other than electric machinery, apparatus and appliances; and transport equipment constituted the greater portion of imports from the region. With the bigger rate of growth of imports over exports, the trade surplus with this bloc was pared down considerably by 64.6 per cent to \$40 million this year.

A slower rate of growth characterized the Philippine-Middle East trade this year, advancing by only 2.7 per cent in contrast to the appreciable gain of 12.6 per cent in 1977. Value-wise, trade with the region hit \$762 million, representing 9.3 per cent of aggregate Philippine trade. Of the total trade with the region, 92.7 per cent comprised imports which, however, were 0.6 per cent lower than last year's arrivals. This downturn could be due to lower purchases of crude oil from the region as the Philippines shifted its source of crude oil to other countries closer to the country. Nevertheless, the Middle East still supplied 70.4 per cent of the country's total oil requirements. Saudi Arabia, the third largest trading partner of the Philippines as well as the biggest supplier from the region, provided \$264 million worth of imports. Behind Saudi Arabia were Kuwait (\$163 million), Iraq (\$144 million) and Iran (\$20 million). As a market for exports, the Middle East upped its purchases by a sharp 75.0 per cent to \$56 million and accounted for 1.6 per cent of total trade. Among the countries in the region, Saudi Arabia and

Iraq were the biggest buyers with a combined purchase of \$38 million. Shipments to these markets consisted mostly of fruits and vegetables and portland cement. With these developments, the big deficit in 1977 of \$678 million was reduced to \$650 million in 1978.

Constituting 13.5 per cent of aggregate trade and amounting to \$1,100 million, trade with the Economic and Social Commission for Asia and the Pacific (ESCAP) rose at an accelerated pace of 13.4 per cent, against the 12.2 per cent rise in the previous year. The Association of Southeast Asian Nations (ASEAN) accounted for \$478 million or 43.5 per cent of total ESCAP trade, exceeding the previous year's total by 23.2 per cent. About half of the ASEAN trade was transacted with Indonesia and the other half with the three other ASEAN countries. The main imports from this group were mineral fuels, lubricants, and related materials from Indonesia and Malaysia and refined petroleum from Singapore. The leading exports to the ASEAN were raw coffee and coconut-based products.

The bulk of arrivals from the other ESCAP countries were sourced from Australia (\$167 million), Hongkong (\$108 million), South Korea (\$52 million) and New Zealand (\$39 million). Australia and New Zealand were the leading suppliers of dairy products, eggs and honey with the latter also delivering metalliferous ores and metal scrap; while South Korea and Hongkong's deliveries consisted mainly of manufactured fertilizers and textile fibers, yarns, made-up articles and related products, respectively. Shipments to these countries were mostly logs and lumber to Australia, desiccated coconut to New Zealand, plywood and fresh mangoes to Hongkong, and copper concentrates to South Korea. Trade with other ESCAP countries was below the \$10 million mark. At year's end, Philippine-ESCAP trade yielded a negative trade balance of \$212 million — \$106 million lower than last year's negative trade balance.

After posting a formidable upswing of 58.2 per cent in 1977, trade with the socialist & communist countries receded sharply by 36.7 per cent to \$212 million and its percentage contribution to aggregate trade contracted from 4.7 per cent to 2.6 per cent. This decrease developed as a result of the sizeable export cut-backs to the USSR and the PROC which together accounted for 97.8 per cent of total exports to the bloc. Shipments to these countries declined by 69.2 per cent and 56.5 per cent, respectively. Coconut-based products, copper concentrates, logs and lumber were the top commodities channeled to these countries. On the import side, arrivals, from the bloc rose by 43.0 per cent to \$123 million on account of increased orders from the PROC. Inward shipments from the PROC rose by 43.6 per cent as a result of heavier volume of deliveries of mineral fuels, lubricants and related materials. Imports from the USSR also rose by \$2 million to \$6 million. Because of the weak performance of exports, the trade surplus of \$152 million enjoyed by the Philippines with this bloc a year ago reversed to a deficit of \$34 million.

TABLE 41. — DIRECTION OF TRADE
1977 & 1978

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

Country	I M P O R T S				E X P O R T S				BALANCE OF TRADE	
	1978	Per Cent Distribution	1977	Per Cent Distribution	1978	Per Cent Distribution	1977	Per Cent Distribution	1978	1977
TOTAL (All countries)	4,732	100.0	3,915	100.0	3,425	100.0	3,151	100.0	—1,307	—764
Japan	1,270	26.8	975	24.9	804	23.5	727	23.1	— 466	—248
United States of America	995	21.0	799	20.4	1,136	33.2	1,112	35.3	141	313
European Common Market	598	12.7	469	12.0	638	18.6	582	18.5	40	113
Belgium	26	0.6	34	0.9	20	0.6	19	0.6	— 6	— 15
Denmark	9	0.2	7	0.2	14	0.4	10	0.3	5	3
France	101	2.1	80	2.0	52	1.5	44	1.4	—49	— 36
West Germany	184	3.9	131	3.3	144	4.2	138	4.4	—40	7
Italy	31	0.7	22	0.6	33	1.0	17	0.5	—	— 5
Netherlands	72	1.5	46	1.2	285	8.3	282	9.0	213	—236
United Kingdom	172	3.6	147	3.7	89	2.6	71	2.3	83	— 76
Ireland	3	0.1	2	0.1	1	—	—	—	— 2	— 1
Luxembourg	—	—	—	—	—	—	—	—	—	—
Middle East Countries	706	14.9	710	18.1	56	1.6	32	1.0	— 650	—678
Iran	80	1.7	72	1.8	5	0.1	9	0.3	—75	— 63
Iraq	144	3.0	116	3.0	18	0.5	—	—	— 126	—116
Kuwait	163	3.4	138	3.5	1	—	1	—	— 162	—137
Qatar	—	—	—	—	—	—	—	—	—	—

TABLE 41. — DIRECTION OF TRADE (Continued)
1977 & 1978

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

Country	I M P O R T S				E X P O R T S				BALANCE OF TRADE	
	1978	Per Cent Distribution	1977	Per Cent Distribution	1978	Per Cent Distribution	1977	Per Cent Distribution	1978	1977
Saudi Arabia	264	5.6	324	8.3	20	0.6	14	0.4	— 244	—310
Trucial Oman	—	—	—	—	2	0.1	2	0.1	2	2
United Arab Re- public	—	—	—	—	4	0.1	3	0.1	4	3
Others	55	1.2	60	1.5	6	0.2	3	0.1	— 49	— 57
ESCAP Countries (Excluding Japan, Iran, USSR & PR- OC)	656	13.9	590	15.1	444	13.0	272	8.6	—212	—318
A. ASEAN	272	5.8	261	6.7	206	6.0	127	4.1	— 66	—134
Indonesia	147	3.1	153	3.9	90	2.6	23	0.7	— 57	—130
Malaysia	56	1.2	61	1.6	36	1.0	30	1.0	— 20	— 31
Singapore	50	1.1	33	0.8	71	2.1	65	2.1	21	32
Thailand	19	0.4	14	0.4	9	0.3	9	0.3	— 10	— 5
B. Other ESCAP Countries	384	8.1	329	8.4	238	7.0	145	4.5	—146	—184
Australia	167	3.6	169	4.4	73	2.1	60	1.9	— 94	—109
Brunei	1	—	—	—	2	0.1	1	—	1	1
Burma	—	—	—	—	—	—	—	—	—	—
Hongkong	108	2.3	63	1.6	88	2.6	51	1.6	— 20	— 12

TABLE 41 — DIRECTION OF TRADE (Concluded)
1977 & 1978

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

Country	I M P O R T S				E X P O R T S				BALANCE OF TRADE	
	1978	Per Cent Distribution	1977	Per Cent Distribution	1978	Per Cent Distribution	1977	Per Cent Distribution	1978	1977
India	10	0.2	23	0.6	—	—	1	—	— 9	— 22
South Korea	52	1.1	36	0.9	66	1.9	24	0.8	14	— 12
Pakistan	6	0.1	—	—	2	0.1	3	0.1	— 4	3
New Zealand	39	0.8	36	0.9	3	0.1	3	0.1	— 36	— 33
Khmer Republic	—	—	—	—	—	—	—	—	—	—
Sri Lanka	—	—	—	—	1	—	1	—	1	1
Vietnam	1	—	1	—	2	0.1	1	—	1	—
Laos	—	—	—	—	—	—	—	—	—	—
Nepal	—	—	1	—	—	—	—	—	—	— 1
Socialist & Communist Countries	123	2.6	86	2.2	89	2.6	249	7.9	— 34	163
Bulgaria	—	—	—	—	—	—	—	—	—	—
Romania	—	—	2	0.1	—	—	6	0.2	—	4
USSR	6	0.1	4	0.1	40	1.2	130	4.1	34	126
Poland	4	0.1	—	—	1	—	—	—	— 3	—
Yugoslavia	—	—	—	—	—	—	5	0.2	—	—
Czechoslovakia	1	—	2	0.1	1	—	—	—	—	— 2
Peoples Rep. of China (PROC)	112	2.4	78	1.9	47	1.4	108	3.4	— 65	300
Other Countries	384	8.1	286	7.3	258	7.5	177	5.6	— 126	— 109

SOURCE OF BASIC DATA: National Census and Statistics Office.

iv. Terms of Trade

An appreciable improvement in the country's net terms of trade was recorded this year, the first since 1974. From 71.0 in 1977 (1972=100), the net terms of trade index rose by 9.2 per cent to 77.5 due to positive developments in the foreign markets of certain major commodity exports.

The upswing in the net terms of trade could be traced to export prices, which advanced significantly by 13.1 per cent while import prices registered a relatively lower increase of 3.6 per cent compared to the 11.0 per cent gain in 1977. Exports which showed price increases were coconut oil, copra, semi-conductor devices, iron ore agglomerates, gold and plywood.

The total trade deficit of \$1,307 million for the year could be attributed primarily to the decline of 3.8 per cent in export volume coupled with the substantial 13.1 per cent increase in import volume. The total trade deficit, however, could have been greater by approximately \$229.4 million had it not been for the modest increase in the terms of trade.

Meanwhile, the purchasing power of exports, which indicates the country's capacity to import based on the sale of exports, expanded by 4.9 per cent from 111.8 last year to 117.5 this year, as a result of the reduction in export volume.

TABLE 42. — TRADE INDICES
1977-1978
(1972=100)

I t e m	1978p/	1977	Per Cent Change
EXPORTS (\$3,425M)			
Quantum	151.4	157.4	— 3.8
Price	193.7	171.3	13.1
Value	293.2	269.7	8.7
IMPORTS (\$4,732M)			
Quantum	139.1	119.2	16.7
Price	249.9	241.1	3.6
Value	347.6	287.5	20.9
Net Terms of Trade ^{1/}	77.5	71.0	9.2
Purchasing Power of Exports ^{2/}	117.3	111.8	4.9

1/ Net Terms of Trade — Unit of imports that one can get per unit of exports— bigger index means exports becoming more costly than imports or vice versa.

2/ Purchasing Power of Exports — the volume of imports that one can get out of the earnings from exports.

$$= \frac{P_e}{P_i} \times Q_e$$

3. FOREIGN EXCHANGE MARKET

a. *International Reserve*

The country's international reserve at \$1,882.7 million as of end-1978 reflected an increase of 23.4 per cent or \$357.6 million from the year-previous level of \$1,525.1 million. Based on the average import figure for 1978, the year-end reserve level was equivalent to approximately five months imports.

The quarterly movement of the reserve was characterized by a general uptrend except for the decline in the fourth quarter. From the first through the third quarter, the reserve gained by \$399.6 million, due principally to the net borrowings of the Central Bank and partly to the surplus of \$87.3 million attained in external transactions. In the fourth quarter, the downtrend in the reserve was mainly brought about by the deterioration of \$141.6 million in the balance of payments.

INTERNATIONAL RESERVE 1976 - 1978

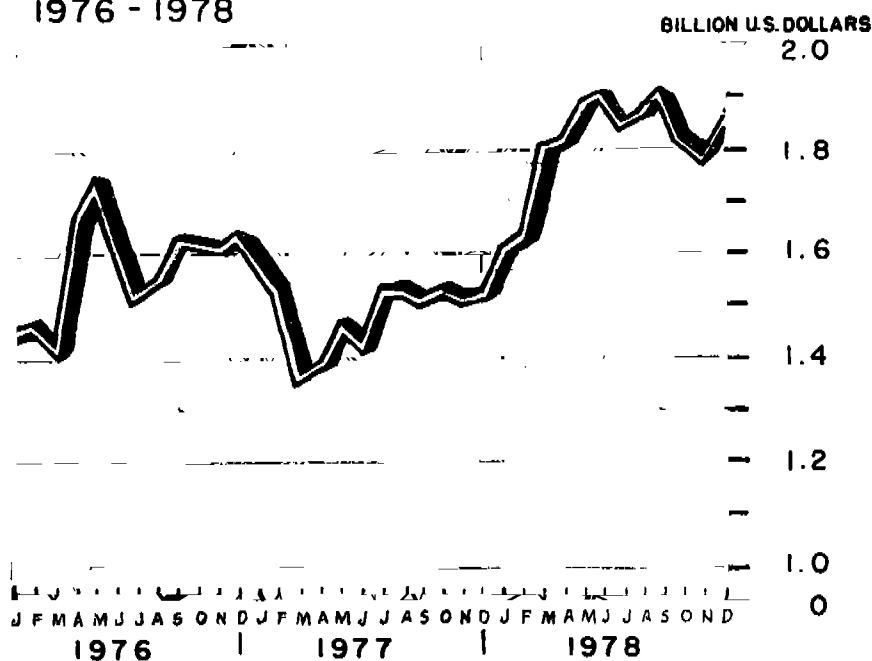


Chart 17

In terms of composition, time deposits representing 49.9 per cent of total reserve dropped slightly by 1.4 per cent or \$13.4 million to \$940.4 million from the 1977 level. Because of the better yields in foreign securities, the Central Bank increased its investments by \$224.4 million during the year or to 31.7 per

cent of the total. Demand deposits improved their share from 7.7 per cent last year to 10.6 per cent or by \$80.9 million to \$198.7 million. Gold holdings, which were held almost constant at \$45 million since November, 1973, started to pick up in May of 1978 when the Central Bank required the delivery of all the primary gold production of Philippine mines to the Central Bank for refining and subsequent sale to the Bank. During the year, therefore, gold increased by 165.8 per cent or \$73.9 million, improving its share of total reserve from 2.9 per cent in 1977 to 6.3 per cent this year. Conversely, holdings of SDR and foreign currencies on hand suffered minor reductions of \$6.5 million and \$1.7 million, respectively.

At the start of the year, the total credit line of the Central Bank amounted to \$525 million. This was supplemented by the "Consolidated Foreign Borrowings Program" which raised a total amount of \$644 million. Of this amount, about \$384 million were drawn for relending, leaving a balance of \$260 million. As of the end of 1978, therefore, credit lines readily available for drawings aggregated \$785 million.

TABLE 43. — INTERNATIONAL RESERVE OF THE PHILIPPINES
December 31, 1977 and 1978
(Million U.S. Dollars)

I t e m	December 31, 1978	December 31, 1977
Total International Reserve	1,882.72	1,525.09
Time Deposits	940.44	953.84
Demand Deposits	198.66	117.75
Foreign Investments	596.48	372.12
Gold	118.50	44.58
SDR	17.83	24.34
Foreign Currencies	10.81	12.46

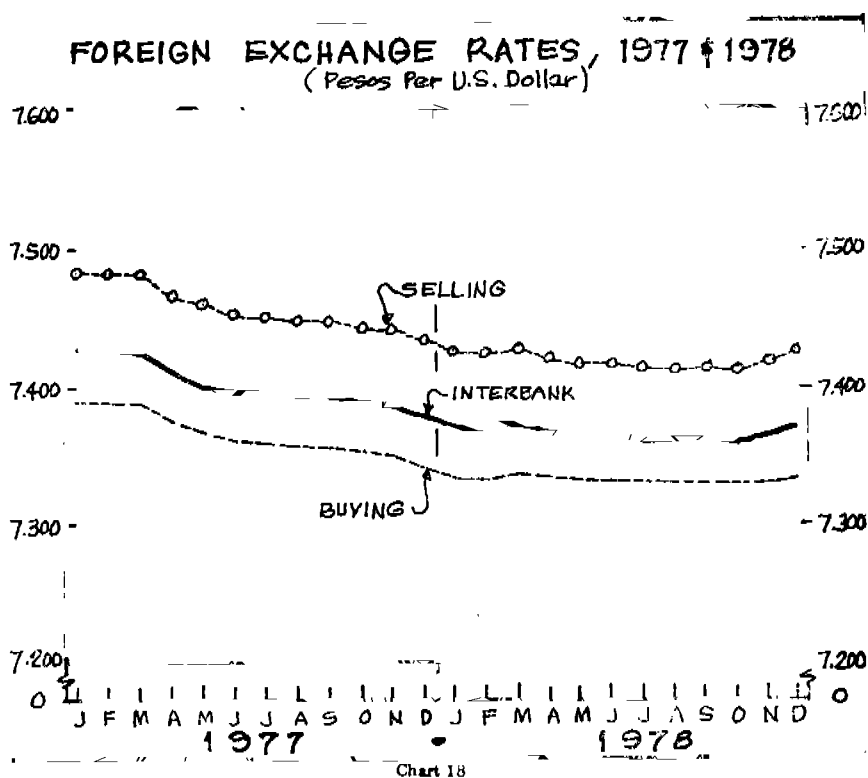
b. *Foreign Exchange Rate*

The exchange rate of the peso vis-a-vis the U.S. dollar was relatively stable throughout most of 1978 although slight fluctuations were observed particularly during the last two months of the year. The further increase in the international reserve level and the availability of credit lines, to a large extent, sustained the stability of the peso and somewhat dampened speculative activities in the market.

From ₱7.3791 in December, 1977, the average interbank rate dropped to a low of ₱7.3589 in October 1978 only to settle at ₱7.3712 at the end of the year. The annual average rate of ₱7.3658 for 1978, however, still showed an improvement over the average rate of ₱7.4028 for the year previous.

Likewise, commercial buying and selling rates which indicated downtrends during the first ten months of the year, moved up in November and December. The buying and selling rates at ₱7.3381 and ₱7.4303 respectively, at the end of December 1978 were higher than those prevailing in December 1977. Averages for the year were at ₱7.3290 and ₱7.4210 for buying and selling rates, respectively. Throughout the year in review, their spreads were maintained at ₱0.092.

The volume of foreign exchange transactions at the FOREX Trading Center aggregated \$1,585.07 million, an increase of 30.5 percent from last year's \$1,214.22 million. As external accounts weakened after the first quarter of the year, quarterly transactions at the FOREX traced an ascending trend. All quarters registered gains ranging from 6.0 per cent in the second quarter to 52.8 per cent during the fourth quarter.



Meanwhile, Central Bank transactions in the Trading Center amounted to \$984.12 million, up by 40.2 per cent or \$282.30 million from \$701.82 million last year. Purchases totalled \$524.27 million as compared to \$480.07 million in 1977. Total sales, on the other hand, were \$459.85 million, exceeding the previous

year by \$238.10 million. As these developed, the Central Bank realized a net purchase of \$64.42 million.

The weakening of the U.S. dollar vis-a-vis other major currencies influenced the exchange rate of the Philippine peso against these currencies. Relative to the Deutsche mark and the French franc, the peso rate traced a general depreciation throughout the year. Signs of appreciation were, however, posted against the U.K. sterling and the Netherlands guilder during the second quarter only to fall back in the second half. Against the Japanese yen, Swiss franc and Canadian dollar, the peso rate indicated slight improvements at the end of the fourth quarter.

TABLE 44. — FOREIGN EXCHANGE RATES
1977-1978

(Pesos per U.S. Dollar)

P e r i o d	Buying	Selling	Interbank
1977—Average	7.3658	7.4583	7.4028
January	7.3907	7.4836	7.4279
February	7.3900	7.4829	7.4272
March	7.3890	7.4819	7.4262
April	7.3738	7.4664	7.4109
May	7.3678	7.4604	7.4049
June	7.3611	7.4535	7.3981
July	7.3591	7.4515	7.3961
August	7.3570	7.4495	7.3940
September	7.3564	7.4488	7.3934
October	7.3523	7.4446	7.3892
November	7.3500	7.4423	7.3869
December	7.3422	7.4344	7.3791
1978—Average	7.3290	7.4210	7.3658
January	7.3346	7.4268	7.3715
February	7.3346	7.4268	7.3715
March	7.3366	7.4288	7.3735
April	7.3300	7.4221	7.3668
May	7.3267	7.4187	7.3635
June	7.3264	7.4184	7.3632
July	7.3246	7.4166	7.3614
August	7.3249	7.4169	7.3617
September	7.3245	7.4165	7.3613
October	7.3221	7.4141	7.3589
November	7.3282	7.4202	7.3650
December	7.3343	7.4265	7.3712

c. Foreign Currency Deposit System

The foreign currency deposit system (FCDS) which was established in mid-1970 registered a steady growth rate until 1977 averaging about 35.3 per cent a year. The system progressed substantially when P.D. 1036 was issued which granted more liberal tax privileges and expanded the investment outlets of depository banks. At the close of 1978, total resources of the system grew by 97 per cent from \$1,209 million in the previous year to \$2,382 million.

Interbank deposits/borrowings amounted to \$1,436 million, an increase of 93 per cent from \$744 million at end-1977. Of these deposits, Philippine-based banks including OBUs contributed \$393 million while the balance of \$1,043 million came from outside sources largely from the United States, Singapore and other Asian countries. Non-bank deposits aggregated \$575 million, \$236 million of which were from non-residents and \$339 million from residents.

On the other hand, interbank placements/lendings at \$690 million reflected an increase of \$318 million from the year-ago level. About \$316 million were placed with Philippine-based banks and \$374 million were offshore placements mostly in the United States and Singapore. Loans and discounts to resident non-bank customers reached \$1,629 million, the bulk going to manufacturing (\$634 million), mining (\$330 million), public utility (\$225 million) and agriculture, fishery and forestry (\$107 million).

This year's transactions brought to the system net earnings of \$4 million, as gross earnings amounted to \$114 million against expenses of \$110 million. Of the gross earnings, \$52 million were derived from onshore operations and \$62 million from offshore transactions.

TABLE 45. — PHILIPPINE FOREIGN CURRENCY DEPOSIT SYSTEM
SELECTED DATA, AS OF DECEMBER 1977 & 1978
(Million U.S. Dollars)

I t e m	1978	1977
1. Resources	2,382	1,209
2. Deposits/Borrowings	2,011	1,168
a. Banks	1,436	744
b. Non-Banks	575	424
3. Placements/Lendings	2,320	972
a. Banks	690	172
b. Non-Banks	1,630	800
4. Earnings	114	..
5. Expenses	110	..
6. Net Earnings (Loss)	4	..

d. *Offshore Banking System*

A remarkable growth was registered by the offshore banking system which has been operational since mid-1977. Total resources of \$757 million at end-1977 rose to \$1,987 million at end-1978, an increase of \$1,230 or 162.5 per cent. The number of operating banks also increased from 14 to 17.

Interbank deposits/borrowings recorded a sharp increase of 163.3 per cent from \$736 million in 1977 to \$1,938 million as of December 1978. Of this amount, \$1,246 million originated from foreign-based banks notably from Singapore and the United Kingdom which accounted for 72 per cent of the inflow. Philippine-based banks contributed \$692 million, of which, the Central Bank's share amounted to \$440 million.

In terms of placements/lendings, interbank placements totalled \$1,516 million, up by 134 per cent or \$867 million. Philippine-based banks accounted for \$824 million and foreign-based banks for \$692 million principally from other Asian countries, Singapore and the United Kingdom. Placements with non-banks reached \$399 million from \$92 million in 1977.

Loans and discounts aggregating \$372 million were extended to resident non-bank customers for developmental purposes. The manufacturing, public utility and mining industries were the major recipients accounting for \$326 million or 88 per cent of total loans for the year.

The system registered gross earnings of \$105.5 million, of which, \$83.6 million came from offshore operations and \$21.9 million from onshore transactions. On the other side of the ledger, expenses totalled \$102.3 million, leaving net earnings of \$3.2 million.

TABLE 46. — PHILIPPINE OFFSHORE BANKING SYSTEM
SELECTED DATA, AS OF DECEMBER 1977 & 1978

(Million U.S. Dollars)

I t e m	1978	1977
1. Resources	1,987	757
2. Deposits/Borrowings	1,940	741
a. Banks	1,938	736
b. Non-banks	2	5
3. Placements/Lendings	1,915	741
a. Banks	1,516	649
b. Non-banks	399	92
4. Earnings	105.5	10
5. Expenses	102.3	11
6. Net Earnings (Loss)	3.2	(1)

II. ACTIVITIES OF THE CENTRAL BANK

A. OVERALL

Central Bank activities in 1978 were generally directed toward further strengthening the financial system and providing a stronger credit base for development. The Bank also played a lead role in the acceleration of savings and lent direct support to key growth industries and agriculture. Moreover, it involved itself, where appropriate, in the implementation of Presidential Decrees and coordinated closely with other government agencies and the private sector to ensure the effective formulation and implementation of new and existing policies. Below is a summary of the Bank's activities during the year:

B. OPERATIONS IN THE FINANCIAL SECTOR

1. Supervision of Banks and Savings and Loan Associations

a. Opening of New Banks/Branches

The establishment of 95 new head offices and 136 additional branches, agencies and money shops during 1978 brought the number of banks and savings & loan associations in actual operation to a total of 2,988 at year-end. This total exceeded by 8 per cent last year's figure.

b. Examination

Pursuant to Section 28 of the Central Bank Act (as amended), 86 head offices of commercial banks, thrift banks, specialized banks, building and loan associations, and 919 of their branches and other banking offices were covered by regular examination. The number of bank offices examined totalled 1,005, higher by 6 per cent compared to the previous year's record.

TABLE 47. — NUMBER OF BANKING OFFICES EXAMINED BY THE DEPARTMENT OF COMMERCIAL AND SAVINGS BANKS 1977 and 1978

Type of Institution	1978	1977	Increase or (Decrease)
T O T A L ^{1/}	1,005	952	53
Commercial Banks	725	669	56
Savings and Mortgage Banks	126	137	(11)
Development Banks	133	128	5
Building & Loan Associations	7	6	1
Other Banking Institutions	14	12	2

^{1/} Includes building & loan associations

A total of 1,281 examinations were also conducted on rural banks and savings & loan associations in 1978, broken down as follows:

Type of Examination	Total	Rural Banks	SLAs
Regular	618	571	47
Special	663	651	12
Total	1,281	1,222	59

TABLE 48. — NUMBER OF FINANCIAL INSTITUTIONS^{1/}
IN OPERATION UNDER THE SUPERVISION
OF THE CENTRAL BANK
1977 and 1978

Type of Institution	1978	1977
T O T A L	2,988	2,757
Head Offices	1,174	1,079
Branches/Agencies/Extension Offices	1,814	1,678
Commercial Banks	1,286	1,208
Head Offices	32	32
Branches/Agencies/Extension Offices	1,254	1,176
Savings & Mortgage Banks	207	184
Head Offices	10	10
Branches/Agencies/Extension Offices	197	174
Development Banks	177	167
Head Offices	37	35
Branches/Agencies/Extension Offices	140	132
Rural Banks	1,029	940
Head Offices	931	850
Branches/Agencies/Extension Offices	98	90
Savings & Loan Associations	259	143
Head Offices	155	143
Branches/Agencies/Extension Offices	104	85
Land Bank of the Philippines	14	14
Head Office	1	1
Branches/Agencies/Extension Offices	13	13
Philippine Amanah Bank	9	9
Head Office	1	1
Branches/Agencies/Extension Offices	8	8
Building & Loan Associations	7	7

^{1/} Includes collection offices, money shops and banking offices abroad.

2. Regulations of Non-Bank Financial Intermediaries

To promote a sound and orderly operation of the non-bank financial system, the Department of Financial Intermediaries (Non-Bank) conducted a total of 284 examinations during 1978. The bulk (212) of the examinations were performed on pawnshops and the rest on other non-bank financial entities. Thirty-five operational examinations and 8 special audits were made on non-bank financial firms engaged in quasi-banking functions. The examinations were undertaken primarily to determine the degree of compliance with existing rules, and regulations, particularly on credit accommodations to DOSRAS and lending operations under the IGLF program.

At present, only pawnshops are examined on a regular basis in line with the Central Bank's supervisory and regulatory authority over pawnshop operations. However, a yearly examination on all non-bank financial institutions may be beneficial to the system and could foster their growth. As of end-1978, these institutions numbered 1,233-composed of 981 head offices and 252 branches. Those performing quasi-banking functions numbered 111, consisting of 26 head offices and 85 branches. Over a period of one year, the total in operation increased by 6 per cent.

3. Coordination of Supervisory Policy and Regulations

To strengthen the Bank's supervisory and regulatory functions over financial intermediaries, a systematic review of policies and coordination activities was undertaken by the Office of Supervisory Policy and Regulations (OSPR) during 1978, to a certain extent, in collaboration with other departments and government agencies. This resulted in the codification of 57 issuances, consisting of 4 presidential decrees and 53 circulars, circular letters, memoranda, Monetary Board resolutions, guidelines and office orders. Salient among these were amendments to Rural Banks Act, Financing Company Act, Savings and Loan Associations Act and DBP Charter; lifting of no-pretermination rule; liberalization of commingling of funds and investment-deposit ratios; minimal reserve requirements on interbank borrowings; granting of demand deposit accounts to thrift banks; liberalization of banking hours/days; guidelines on the opening of bank offices/branches; relaxation of money shop operations; and establishment of uniform criteria on past due accounts, on the determination of high-grade securities, in the booking of deposit substitute transactions, and in the computation of interests on deposits and loans of financial intermediaries.

4. National Savings for Progress Campaign

Total savings and time deposits of the banking system as of the end of 1978 numbering to 19,423,149 accounts and amounting to ₱34 billion continued to reflect the ever increasing awareness of the people to the importance of savings in banks. A 14 per cent growth rate in the number of bank deposits was registered while total value of savings and time deposits expanded by 30 per cent.

Savings deposits still accounted for the bulk of total deposits and amounted to ₱22,884 million or 66 per cent of the total. Time deposits, on the other hand, accounted for the remaining 34 per cent but this marked a significant improvement over the 21 per cent obtained before the launching of the campaign in June 1973. This development could be traced largely to the increased yields of time deposits brought about by interest rate revisions made in early 1976 and late 1977.

The bulk or 72 per cent of total savings and time deposits were generated by commercial banks. The remainder was dis-

tributed among thrift banks, 13 per cent; specialized government banks, 11 per cent; and rural banks, 4 per cent.

The above quantitative gains in savings and time deposits of banks may be ascribed partly to the activities of the National Savings for Progress Campaign which included the following in 1978.

a. Advertising and Promotions

The 1978 savings campaign was launched with the new campaign slogan "ANG NAG-IIMPOK NA BARANGAY, MAUNLAD ANG PAMUMUHAY"—to reflect the initial thrust to reach the barangay units.

Campaign materials reflected this approach and communications strategy utilized media with the widest audience reach in order to obtain utmost efficiency and effectiveness.

b. Barangay Program

The year under review saw the launching of the Barangay Program as another phase of the national effort to encourage the people to save in banks.

The program, called "KILUSANG PAG-IIMPOK SA BARANGAY", is designed to flush out idle funds that are by tradition kept in rural homes, and channel them into the banking system.

The principal feature of the "Kilusan" is solicitation in barangay headquarters or in any other place where barangay members tend to congregate. Solicitation, as a personal service of the banks, is expected to draw the rural folk away from their habit of keeping their savings in unproductive places and ways, and into encouraging them to form the banking habit.

To test its efficacy, the barangay program was launched on a pilot basis in Lipa City in November to cover all barangays in the province of Batangas. Barangay captains, development officers and bankers were the principal participants in the pilot program. The barangay savings program is currently being implemented with the active support of the Ministry of Local Government and Community Development.

c. TIPID Movement

To recognize and reward schools that have the most effective income-generating projects, the 1978-1979 nationwide "TIPID Movement School Incentive Award Program" was launched in May. The contest, being administered by the Central Bank and the Ministry of Education and Culture, was open to all elementary, general secondary and vocational-technical secondary schools.

d. Regional Savings Campaign

As the NSPC entered its sixth year of existence, almost all of the regions of the country had been covered in its regional

savings drive. The campaign for the Western Mindanao region, the tenth of its kind, was held in Zamboanga City, at the Hotel Zambayan in September. As in the past, the highlight of the campaign was a savings seminar-workshop attended by bankers and school officials. The outdoor activities connected with the campaign were participated in largely by the school children.

e. Special Projects

Transit advertising was tried for the first time on an experimental basis during the second semester of 1978. Posters with the slogan "Ugaliing Magdeposito sa Bangko" were installed inside and outside of 100 buses plying within Metropolitan Manila.

The NSPC also utilized special slogan stamp cancellers on all mail and philatelic matters transmitted via the post offices in Metro Manila and chartered cities throughout the country. Two song properties were acquired in 1978 — "Mag-Impok Tayo" and "Sabi Barok, Tayo Impok".

An on-the-spot painting contest for high school, intermediate and primary students was conducted in Manila as part of the activities of the fifth anniversary celebration of the NSPC. About 200 students participated in the contest and depicted the theme "Savings Bank and National Development" in their canvases.

C. MANAGEMENT OF EXTERNAL ACCOUNTS

1. *External Debt Management*

Management of the Philippines' external debt in 1978 continued to focus on the channelling of foreign capital to preferred and priority areas of investments as defined in the country's plans and programs. These areas, particularly, export development projects, infrastructure and other vital government projects absorbed all of the country's foreign borrowings which at the end of 1978 had an outstanding amount of \$7,782 million (up by \$1,219 million or 19 per cent from the end-1977 level). Foreign investments which increased from \$688 million as of September 30, 1977 to \$707 million as of September 30, 1978 were largely in capital intensive industries and those requiring technological know-how and expertise.

Within the purview of existing policy guidelines, a total of 672 applications for the availing of fresh foreign credits including restructuring/refinancing of outstanding loans and various other external credit facilities involving an amount of \$1,992 million were evaluated and processed for the private sector in 1978. The number of applications increased by only 9 although the corresponding amount reflected a \$581 million increase when compared with the 1977 level. The heaviest users of total foreign loans authorized during the year were: the communications

and power utility companies, \$215 million or 15 per cent; the mining industry, \$140 million or 9 per cent; and the agro-industrial sector, \$124 million or 8 per cent.

For the public sector, the Central Bank examined/prepared/reviewed contracts and/or draft loan agreements relative to government foreign loans, to determine compliance with the requirements of the Foreign Borrowings Act (R.A. 6142) as amended, and pertinent Central Bank regulations. Some 152 loan applications of the government sector involving \$6 billion were processed in 1978 as against 106 applications amounting to \$2 billion in 1977. The preparation of necessary background materials and documents relative to and implementation of the \$14 million Japanese Commodity Loan were also undertaken during the year.

In foreign investments, applications for approval of investments and related accounts, such as remittances of profits, dividends, royalties, technical service fees and rentals in accordance with the provisions of Circular No. 365, 375, 393 and other policy guidelines set by the Government and the Monetary Board were processed/evaluated. Applications for approval of investments numbered 313 and amounted to about \$154 million. On the other hand, there were 311 applications for capital repatriation; remittance of profits, dividends, royalties technical service fees, etc; and approval of outward investments with an aggregate value of \$65 million. In addition, applications for approvals of: agreements for technology transfer (19), guarantee requirements of overseas projects (47), requests for additional documents/information (495), referrals (172) and miscellaneous (70) were serviced.

Full support was extended to government approved projects, progressive manufacturing and industry rationalization programs in the processing/evaluation of import applications from the private sector. The value of authorized imports aggregated \$654 million. Import requirements of government agencies/corporations in the implementation of infrastructure, electrification, power generating, and other projects under the CCC credit line, Public Law 480 and the Free Dollar Line were similarly evaluated and monitored.

In order to enforce strict compliance with the terms and conditions imposed by either the Monetary Board or Management on approved foreign loans and investments, periodic review of loan contracts; consolidation of weekly and monthly reports relative to implementations of MB resolutions and applications acted upon; replies to queries, referrals and requests and scheduling of valuation of machinery and equipment were undertaken.

2. *Import-Export Regulations*

Import regulations in 1978 centered on the monitoring of no-dollar importations and of regulated commodities, in cooperation with other government agencies. While electronic products were added to the list of banned items, a \$30.2 million or 45.4 per cent increase from \$66.7 million last year was noted in import authorizations for the same, particularly for tourist duty-free shops, export-oriented firms and tourist hotels. Also during the year, the Philippine Standard Commodity Classification Manual was adopted in lieu of the Central Bank Classification Manual, resulting in the inclusion of new commodities and in the amendment/reclassification of existing commodity categories of import items.

Letters of credit in 1978 amounted to \$3,293 million, higher by \$684.5 million or 26.2 per cent from last year's level. Items classified under the essential producer goods category accounted for the bulk of L/C's opened (\$2,201 million or 66.8 per cent). The remaining 33.2 per cent was distributed among other import categories, with banned items (non-essential, semi-unclassified and unclassified consumer commodities) representing a minimal 1.0 per cent of total L/C's opened. Invisibles accounted for \$386.0 million or 11.7 per cent of total L/C's opened. Classified according to type, regular L/C's represented 87.9 per cent of total L/C's opened, followed by stand-by and deferred L/C's which accounted for 7.5 per cent and 4.5 per cent, respectively.

The major change in export regulations and activities during 1978 was the modification of existing rediscount policies in favor of non-traditional exports, small-scale/cottage industries and the production/export/trading of sugar, rice and tobacco. The selected liberalization of credit policies basically involved the extension of credit terms, the increase of the rediscount ceiling to the extent of 50 per cent, and the creation of the automatic credit scheme (which enables the creditors' account to be credited within one day instead of the usual 3-7 days). Emphasis was likewise given to the diversification of export products and markets, and to the simplification of export procedures and documentation.

3. *Regulations on Other Invisibles*

Maximization of foreign exchange receipts from tourism and from Filipinos working abroad remained the underlying consideration of 1978 regulations covering invisibles. Activities were focused on the audit/investigation of establishments engaged in non-trade foreign exchange transactions, the identification of new foreign exchange earners, and the licensing of authorized foreign exchange dealers. Particular emphasis was placed on Philippine overseas contractors to determine the extent of their contracting/recruiting operations and their degree

of compliance with Central Bank regulations (specifically the channelling into the banking system of non-trade foreign exchange earnings).

Meanwhile, regulations were aimed basically at keeping foreign exchange outflows from invisibles at manageable levels in 1978, even as applications acted upon by the Central Bank increased by 11.5 per cent to 11,350. The lifting of the ban on foreign travel of residents during the latter part of 1977 raised the number of applications for purchase of foreign exchange for travel from 2,416 in 1977 to 5,751 or by 138 per cent for the year in review. Requests for approval of royalty/licensing agreements under Central Bank Circular 393 totalled 527 as compared to 464 in 1977. Applications for remittance of technical fees/royalties and of capital transfers amounted to 424 and 393, respectively, representing 74.7 per cent and 28.7 per cent increases in that order. The remaining 4,255 were applications for remittances of profits/dividends, of educational expenses and subsistence of dependents abroad, and of miscellaneous items.

4. Foreign Exchange Investment Portfolio

Against a background of worldwide liquidity, slow demand for funds, and instability of the foreign exchange markets in 1978, the annualized yield rate on the Central Bank's foreign exchange investment portfolio slipped to 7.5 per cent from 7.9 per cent in the prior year.

Nonetheless, total investment income moved up to \$116 million from \$107 million in 1977, posting a gain of \$9 million or 8.0 per cent. This owed largely to the expansion by 13.2 per cent in the size of the investment portfolio from \$1,356.2 million in 1977 to \$1,534.7 million by end-December 1978. Furthermore, the timely diversification of foreign exchange currency holdings, the shift to better yielding instruments, and the management of the maturity structure of investments in response to interest rate developments contributed to the growth in earnings.

Significantly, in a move to support the Manila OBUs without sacrificing income, placements with the 17 Offshore Banks in the form of time and call deposits were increased by 32.0 per cent to \$375.9 million.

Earnings rose steadily during the year from \$20.7 million in the first quarter to \$27.3 million in the second, to \$30.2 million in the third, and finally, to \$37.7 million in the fourth quarter.

D. OPERATIONS AS FISCAL AGENT OF THE GOVERNMENT

1. Issuance and Placement of Government Securities

Total authorized issues of government securities during the year aggregated ₱12,876 million. These consisted of:

- 1) new authorizations in the amount of ₱5,106 million;
- 2) issues under previously authorized ceilings for regular and special series Treasury bills amounting to ₱5,611 million and
- 3) other carry-over issues at the close of the preceding year aggregating ₱2,159 million.

Seventy per cent or ₱9,038 million of total issues authorized for 1978 represented National Government obligations. These were followed by Central Bank issues amounting to ₱3,600 million or 28 per cent while the remaining 2 per cent (₱238 million) represented government corporate issues.

2. *Primary Sales of Securities*

Primary sales of government securities made through the Central Bank amounted to ₱10,319 million or a decrease of 22 per cent from the figure for 1977. This decrease resulted from the redemption of special series CBCIs before their maturity, no sales having been made thereafter.

Securities sold for the account of the National Government amounted to ₱7,258 million or 70 per cent of total government securities sales, marking an annual growth of 0.5 per cent. Securities of the National Government included Treasury bills, notes and bonds and Premyo Savings Bonds, a large portion (70 per cent) of which were sold under the *Biglang Bahay* concept which was inaugurated only on November 17, 1978.

Securities of government corporations sold through the Central Bank increased by 53 per cent and reached a total of ₱207 million. At this level, government corporate securities sold at the primary level accounted for 2 per cent of total.

The remaining 28 per cent or ₱2,854 million represented Central Bank Certificates of Indebtedness. At a level of ₱2,762 million, regular series CBCIs constituted 96 per cent of total Central Bank issues and registered an increase of 64 per cent. In September, regular CBCIs were redesigned and sold through auction, a move designed to determine the market price of these issues. Thus, broken down into method of CBCI placement, ₱1,962 million was sold through service agencies and the balance of ₱800 million through auction.

Moreover, in line with the program for the rationalization of the yields and terms of government securities, ₱800 million worth of special series CBCIs were redeemed before their maturity in August. These issues which were used as reserves of commercial banks for marginal deposits against import letters of credit were replaced with Treasury Bond.

TABLE 49. — GOVERNMENT SECURITIES ISSUED THROUGH
THE CENTRAL BANK: 1978^{a/}

(Million Pesos)

Type of Security	Unsold 12/31/78	Previously Unissued Ceiling	Authorized During the Year	Total	Sold &/or Issued	Unissued/ Unsold 12/31/78
Total	2,159.1	5,611.0	5,639.5 ^{x/}	12,875.6	9,710.2	2,456.9
National Gov't Issues:	1,978.4	4,811.0	2,772.5	9,037.9	6,650.0	2,387.9
Treasury Notes	204.9	—	691.0	895.9	718.8	177.1
Treasury Bonds	798.8	—	563.1	1,361.9	364.8	997.1
PWED Bonds	—	—	—	—	—	—
NIA Bonds	—	—	—	—	—	—
Premyo Savings Bonds	159.1	—	400.0	559.1	142.4	416.7
Land Bank Cap. Bonds	150.0	—	—	150.0	—	150.0
Treasury Cap. Bonds	—	—	105.4	105.4	105.4	—
MWSS Cap. Bonds	90.0	—	—	90.0	61.0	29.0
NPC Cap. Bonds	51.6	—	—	51.6	30.4	21.2
Cap. Treas Notes	—	—	275.0	275.0	275.0	—
Treasury Bills (Reg.)	426.1 ^{b/}	3,311.0	738.0 ^{x/}	4,049.0	3,990.8	58.2 ^{b/}
Treasury Bills (Spl.)	97.9 ^{e/}	1,500.0	—	1,500.0 ^{c/}	961.4 ^{d/}	538.6 ^{e/}
Gov't Corp. Issues:	180.7	—	57.0	237.7	206.7	31.0
CCP Bonds	40.0	—	—	40.0	9.0	31.0
EPZA Bonds	—	—	57.0	57.0	57.0	—
NPC Bonds	140.7	—	—	140.7	140.7	—
MWSS Bonds	—	—	—	—	—	—

TABLE 49. — GOVERNMENT SECURITIES ISSUED THROUGH
THE CENTRAL BANK: 1978^{a/} (Concluded)
(Million Pesos)

Type of Security	12/31/77	Previously Unissued Ceiling	Authorized During the Year	Total	Sold &/or Issued	Unissued/Unsold 12/31/78
CB Issues:	—	800.0	2,800.0	3,600.0	2,853.5	38.0
CBCI Regular Series	—	—	2,800.0	2,800.0	2,762.0	38.0
CBCI Special Series	—	800.0 ^{f/}	—	800.0	91.5	—

a/ Exclusive of foreign denominated securities
b/ Amount of rejections which are no longer reissued
c/ Authorized ceiling outstanding at any point in time
d/ Amount outstanding as of Dec. 29, 1978
e/ Balance available for sale at year-end
f/ Redeemed prior to maturity on Aug., 1978
x/ Includes previously authorized ceiling.

3. Outstanding Securities Issued through and by the Central Bank

Outstanding public debt issued through and by the Central Bank aggregated ₱26,745 million at the close of the year. This represented an increase of 12 per cent over the level registered in 1977. Of this amount, ₱15,676 million or 59 per cent represented obligations of the National Government and government corporations. The remaining ₱11,069 or 41 per cent took the form of Central Bank Certificates of Indebtedness.

The interest rates of outstanding public debt issued through and by the Central Bank ranged from zero to 13.875 per cent or a weighted average interest rate within the range of 6.828 per cent to 7.030 per cent. Approximately, one-third of the outstanding issues with interest rates of 2 to 4.75 per cent were used as reserves against deposit liabilities. Only the outstanding CBCIs denominated in US dollar carried yields above 12.5 per cent.

TABLE 50. — OUTSTANDING GOVERNMENT SECURITIES ISSUED
THROUGH THE CENTRAL BANK
As of December 31, 1977 & 1978
(Million Pesos)

Securities	1978	1977	Increase (Decrease)
T o t a l	26,745.2	23,834.1	2,911.1
A. National Gov't & Gov't			
Corp. Issues	15,676.6	14,676.3	1,000.3
Long Term	9,855.1	8,821.1	1,034.0
PWED Bonds	711.5	761.5	(50.0)
RP Ext. Loan Bonds	18.1	27.1	(9.0)
Premyo Savings Bonds	383.4	241.0	142.4
NPC Capital Bonds	300.4	270.0	30.4
NPC Bonds	520.3	379.6	140.7

TABLE 50. — OUTSTANDING GOVERNMENT SECURITIES ISSUED
THROUGH THE CENTRAL BANK (Concluded)
As of December 31, 1977 & 1978
(Million Pesos)

Securities	1978	1977	Increase (Decrease)
LB Capital Bonds	—	5.0	(5.0)
NAWASA Bonds	143.8	157.7	(13.9)
MWSS Bonds	70.0	70.0	—
MWSS Capital Bonds	126.0	65.0	61.0
N I C	16.3	16.3	—
NIA Bonds	184.4	209.4	(25.0)
Treasury Bonds	4,832.7	4,469.5	363.2
Treasury Notes	459.8	432.0	27.8
Treasury Prom. Notes	8.0	8.0	—
Cap. Treasury Bonds	400.0	400.0	—
Capital Bonds	200.0	200.0	—
CCP Bonds	94.0	85.0	9.0
Treasury Capital Bonds	880.4	775.0	105.4
EPZA Bonds	306.0	249.0	57.4
Cap. Treasury Notes	200.0	—	200.0
Medium Term	3,276.4	3,296.5	(20.1)
Treasury Notes	3,041.4	3,041.5	(0.1)
Capital Treasury Notes	215.0	215.0	—
EPZA Bonds	20.0	40.0	(20.0)
Short Term	2,545.1	2,558.7	(13.6)
Treasury Bills	2,545.1	2,558.7	(13.6)
B. Central Bank Issues	11,068.6	9,157.8	1,910.8
CBCI	9,907.4	7,996.6	1,910.8
CBCI (CSL)	1,161.2	1,161.2	—
Medium Term	310.1	310.1	—
Long Term	851.1	851.1	—

4. Debt Servicing

A total of ₱1,511 million was incurred as interest expense for the various government securities outstanding as of December 31, 1978. This amount represented an annual increase of 8 per cent or ₱108 million. The ₱889 million cost of borrowing for National Government and government corporation obligations consisted of interests paid on securities (₱585 million) and discounts on Treasury bills (₱304 million). On the other hand, the Central Bank paid out interests amounting to ₱621 million to various CBCI holders.

Other servicing costs incurred during the year amounted to ₱378 million, broken down into commissions paid to service agencies, ₱17 million taxes on interest earnings on CBCIs, ₱303 million; prizes on winning Premyo Savings Bonds, ₱40 million; and interest expense on reverse R/Ps, ₱12 million.

TABLE 51. — INTEREST PAYMENTS ON GOVERNMENT
SECURITIES: 1977 & 1978

(Million Pesos)

Securities	1978	1977	Increase (Decrease)
T o t a l	1,510.6	1,402.9	107.7
A. National Gov't & Gov't			
Corp. Issues	889.3	707.7	181.6
Treasury Bills (Reg. & Spl.)	303.8	221.0	
Treasury Notes	30.4	23.6	
EPZA Bonds	30.6	23.6	
PWED Bonds	34.8	43.7	
NPC Bonds	27.7	24.1	
NAWASA Bonds	10.5	12.3	
NIA Bonds	13.4	14.4	
N L C	0.8	0.8	
LB Cap. Bonds	0.4	0.4	
Treas. Prom. Notes	0.2	0.2	
Treasury Bonds	199.7	171.6	
MWSS Cap. Bonds	9.2	4.2	
MWSS Bonds	4.2	6.6	
Cap. Treasury Bonds	5.0	8.0	
CCP Bonds	6.3	—	
N P C Cap. Bonds	18.7	18.2	
Treas. Cap. Bonds	28.0	17.0	
B. Central Bank Issues	621.3	695.2	(73.9)
CBCI Reg. Series	532.9	561.1	
CBCI Spl. Series	20.3	65.6	
CBCI Concessional	68.1	68.5	

5. Administration of Various Funds

As fiscal agent of the government, the Central Bank also administered a number of government funds and accounts with total resources amounting to P1,934 million as of the end of 1978. These resources were invested in government securities and earned a total income of P140 million during the year.

The funds and accounts being administered by the Central Bank include the bond sinking funds, the Industrial Guarantee and Loan Fund, the Special Guarantee Fund, Reserve for Currency Insurance Fund, NGA Special Accounts and the Securities Stabilization Fund.

6. Collection of Taxes

Taxes collected by the Central Bank through its authorized agent banks grew by 21 per cent, from a level of P13,369 million in 1977 to P16,152 million this year. Internal revenue taxes, amounting to P11,429 million accounted for the lion's share or 71 per cent of total collections. Collection by banks of internal revenue taxes showed an annual increase of 23 per cent. This

increase may be attributed to the intensified tax information and tax education drives waged by the government and to improvements in the tax collection system. Contributory factors may also be due to the expansion in the collection of internal revenue taxes to all cities, provinces and municipalities and with the Central Bank giving authority to banking institutions, other than commercial banks, to collect such taxes. Collections by private development banks, stock savings and loan associations and savings and mortgage banks in 1978 amounted to ₱1,137 million and accounted for 10 per cent of total collections.

Twenty seven (27) per cent of total collections this year took the form of customs duties. At a level of ₱4,283 million, customs duties exceeded the level realized last year by 24 per cent. The port of Manila collected about 95 per cent of the intake while the remainder came from the ports of Cebu, Davao, Cagayan de Oro and Iloilo.

Export tax collections amounted to ₱438 million showing a decrease of 27 per cent from last year's level. The decline may be traced to a number of factors: the worldwide economic slump prevailing in the major industrial and importing countries higher price of oil, disturbances in the international currency markets and fall in prices of traditional exports in the world market. To cushion the impact of falling export prices and as an incentive to producers, the government lifted in 1974 and 1975 the imposition of export and premium duties on all wood products, copper and cement. Thus, of the 25 export products originally listed in the Customs and Tariff Code as subject to the export duty, only 17 remain in the list out of which eight products are being assessed for both export and premium duties.

Total stabilization tax collections decreased by 42 per cent and amounted to ₱1.7 million. This is to be expected as collections of this tax, now being phased out, came from payments of tax deficiencies, including surcharges and penalties.

TABLE 52. — REVENUE COLLECTIONS THROUGH THE
CENTRAL BANK: 1977 & 1978
(Million Pesos)

I t e m	1978	1977
T O T A L	16,152.0	13,369.0
Internal Revenue Taxes	11,429.0	9,311.5
Customs Duties	4,283.1	3,450.6
Export Premium Duty	438.2	603.9
Stabilization Tax	1.7	3.0

E. OTHER ACTIVITIES

1. Currency Issue and Clearing

As of end-December 1978, ₱9,234 million worth of net currency to meet the requirements of the economy was issued during the year, higher by 19 per cent than last year's outstanding level of ₱7,766 million. Of the ₱1,468 million net currency increase, 95 per cent represented additional issuances of currency notes supplied by the Security Printing Plant and 5 per cent in coins produced principally by the Mint Plant and Gold Refinery. Gross outstanding liability, however, of the Central Bank reached ₱11,297 million of which ₱2,063 million consisted of cash in vaults, cash-held-in-trust with Philippine National Bank branches and agencies and cash subject to verification.

Related to its currency administration activities, the Central Bank Cash Department received for retirement in 1978 mutilated-perforated "ABL" currency notes with face value of ₱2,694 million compared to ₱1,684 million last year. Demonetized coins held for safekeeping likewise increased from ₱181 thousand to ₱252 thousand consisting mainly of Treasury and Central Bank (English series) coins which shall cease to be a liability of the Central Bank after March 31, 1979 (Cir. No. 450) and August 31, 1979 (Cir. No. 470), respectively.

The Central Bank, through its Accounting Department, likewise provided and maintained clearing facilities for interbank exchanges of demand items. A total of more than 41 million checks and other clearing items valued at ₱670 billion were settled during the year, participated in among 38 banks/entities including the Central Bank, the Treasurer of the Philippines, and the Bureau of Posts. Over the year, the number of checks decreased slightly while the amount went up by 17 per cent.

2. Mint and Gold Refinery

Pursuant to Letter of Instruction No. 171 of the President of the Philippines dated February 27, 1974 and Monetary Board Resolution No. 537 dated March 14, 1975, the Mint Plant and Gold Refinery were established to produce circulation coins and special coinage requirements of the country as well as to produce refined gold and silver acceptable in the international gold and silver markets. Although the Mint Plant and Gold Refinery were formally inaugurated only this year, actual operation for the Gold Refinery started as early as September 28, 1977 while that for the Mint Plant commenced on December 1, 1977.

During the year, the Mint Plant finally completed the 1977 series numbering more than 92 million pieces of Ang Bagong Lipunan coins, notwithstanding a two-week shutdown in April. (Of the 1978 45 million required series (with denominations of 1-, 5-, 10- and 25-sentimo and 1-piso), 33 million or 73 per cent

of the total order was produced. More than 126 million pieces of blanks were struck into coins during the year of which 0.6 per cent, representing trial pieces and mis-strikes, was condemned. In the course of inspection of the 1977 and 1978 coinage, it was observed that the most common cause of rejection was due to filled-die errors.]

The total deliveries made to the Cash Department through the Currency Stock Committee this year aggregated 127 million pieces of circulation coins of various denominations with a face value of ₱34 million including the undelivered production in 1977. Coins with 1977 year mark totalled more than 94 million pieces with a face value of ₱25 million, while those with the 1978 year mark numbered 33 million pieces with a face value of ₱8 million.

In spite of the four-month shutdown period and first stock-taking, a total of 72,075 ounces of refined gold assaying 99.99 per cent and 24,196 ounces of refined silver assaying 99.90 per cent were produced by the Gold Refinery.

Raw bullion deliveries amounting to 608 bars weighing a total of 300,526 ounces and containing 160,925 fine ounce of gold and 92,096 fine ounces of silver were received for refining during the year. Benguet Consolidated, Inc. topped all other gold producers that sent their gold bullion to and utilized the services of the Gold Refinery in 1978. Due to the increase in the price of gold, a marked rise in gold bullion deliveries to the Refinery during the last quarters 1977 and 1978 was observed.

The Gold Refinery also delivered to the Cash Department 1,619 ounces of gold grains assaying 99.99 per cent available for sale to the local jewelers and other industrial gold users pursuant to the provisions of Central Bank Circular No. 602.

3. Security Printing Plant

The Security Printing Plant is principally responsible for the printing and processing of all banknotes to be issued by the Central Bank. It is also tasked to offer security instruments, such as MICR- encoded checks of the financial system, certificates, deposit passbooks, Torrens titles, internal revenue stamps and postage stamps.

During the year, 72 million pieces (₱1,130 million) of "Ang Bagong Lipunan" (ABL) notes were delivered by the Security Printing Plant to the Cash Department, while 18 million pieces (₱420 million) remained undelivered. In addition, the plant completed processing and delivered to the Cash Department 47 million 2-piso semi-finished numbered notes (singles) and 14 million pieces of the 36 million 2-piso unnumbered notes (sheet form) supplied by Thomas de la Rue & Co., Ltd.

The Bank's offer of a centralized source of MICR—encoded checks for the banking system to be supplied by the Security Printing Plant has been accepted by the Bankers' Association of the Philippines. Printing of said checks, however, by the plant will commence only in February 1979.

4. Regional Operations

(a) Cash and Banking Operations

Total receipts (cash and check deposits of banks, cash requisitions, incoming cash shipments, including such items as proceeds from sales of government securities) from the three Central Bank regional offices in Davao City, Cebu City, and San Fernando, La Union aggregated ₱3,226 million in 1978 or ₱65 million more than the total disbursements (cash withdrawals of banks, cash shipments to the Cash Department and Davao Regional Office, foreign currencies shipped to Manila, including such items as payment for encashment of government securities) of ₱3,161 million.

Cash deposits received from commercial bank branches in the areal jurisdiction of the regional offices reached ₱2,299 million which reflected an increase of 17 per cent from last year's deposits. On the other hand, cash withdrawals by commercial bank branches against their demand deposit accounts with the regional offices went up by 21 per cent to post a level of ₱2,412 million in 1978. Various acceptable foreign currencies purchased by the regional offices from authorized agent banks and foreign exchange dealers within their areal jurisdiction reached ₱2 million, 23 per cent higher than last year's level.

To supply the currency needs of the various commercial bank branches, rural banks, savings and loan associations and government agencies, cash requisitions at ₱917 million were made in 1978 as against ₱945 million in 1977. Total mutilated currency notes withdrawn from circulation reached ₱647 million in 1978, higher by ₱107 million than last year's.

(b) Rediscounting Operations

Rural banks numbering 290 under the jurisdiction of the three Regional Offices availed themselves of rediscounts which totalled ₱552 million compared to ₱422 million granted in 1977. Of total loans granted, 65 per cent accounted for supervised credit, 34 per cent for non-supervised credit and the balance for restructured loans.

At the end of the current year, outstanding rediscounts settled at ₱553 million, of which past due loans amounted to ₱140 million with a ratio of 25 per cent to total outstanding rediscounts.

(c) Securities Marketing and Servicing Operations

Sale of government securities and bonds by the Securities Units in the three Regional Office declined to ₱49 million from ₱5.6 million in 1977. Since many rural banks have substantially complied with the requirement to invest in eligible government securities for agrarian reform credit (as required under Cir. No. 473 and P.D. 717), the sale of CBCIs decreased. On the other hand, sale of Premyo Savings Bonds increased by ₱1 million. Encashment of government securities in branches almost doubled the 1977 figure of more than ₱2 million to ₱4 million in 1978.

(d) Revenue Collections

In the Cebu and Davao Regional Offices, revenue collections aggregated ₱523 million, higher by 20 per cent than last year's collections. Of current total, 65 per cent accounted for National Internal Revenue taxes and the rest for custom duties and other levies.

(e) Clearing Operations

During the year, a total of 6 million checks (local and out-of-town clearing) with a value of ₱47,998 million was transacted in the three regional clearing units. Of the total, the Cebu Regional Clearing Unit accounted for 57 per cent, followed by Davao for 40 per cent, and La Union for 3 per cent.

5. *Training Program/Technical Assistance*

In line with its policy of acquainting officers and staffs of banking institutions with pertinent banking laws, rules and regulations and to provide them with basic banking skills and techniques, the Central Bank conducted seminars/workshops and training courses for 2,551 officers and employees of rural banks and savings and loan associations during the year.

The opening of 35 new rural banks in 1978 contributed greatly to the increased training and technical assistance activity during the period. The Bank conducted special seminars covering duties and responsibilities of officials for 208 rural bank directors, basic training courses for 910 officers and staffs of rural banks, and a special seminar on bank marketing and client development for 104 rural bankers. It co-sponsored regional management workshops for some 740 rural bankers in five major urban centers in the northern and southern regions of the country, and conducted, jointly with the Provincial Federation/Regional Confederation of Rural Banks, courses on supervised farm credit for 116 rural bank technicians in consonance with the countryside credit development program. In line with the Government's on-going food production campaign, the Bank also co-sponsored with the Department of Agriculture the training of 120

rural bank managers and technicians on schemes and strategies for implementing the recently established **Bakahang Barangay Program**.

Hand in hand with the stepped-up training activities in rural banking and the 16 per cent rise in the number of savings and loan associations recorded in 1978, the Bank embarked on a vigorous technical assistance program covering the training of 353 officers and staffs of stock and non-stock savings and loan associations (SLAs). The training covered specialized lecture sessions on the uniform accounting system prescribed by the Central Bank and basic courses on rules and regulations, procedures and report requirements and other legal provisions covering SLA operations.

As part of its staff professionalization program and to keep abreast with current economic, trade and modern banking developments, the Bank sent abroad six officials and members of its various technical staffs and operating departments to undertake specialized studies in statistics, foreign banking, lease financing and industrial financial management, securities custody and safekeeping operations and agricultural production development.

The Bank continued its active involvement in regional economic and monetary affairs through the assistance given to visiting officials of central banks, monetary authorities and similar institutions in Asia, and through participation in seminars and workshops sponsored by central banks and financial institutions in the region. The Bank sent a directing staff member and a participant-discussant in the SEANZA Central Banking Course held in Seoul, Korea, and a participant each to the SEA-CEN Workshop Seminar on Agricultural Credit and Financing in Malaysia, and the ASEAN Seminar on Techniques of Sub-regional Cooperation in Bangkok, Thailand. On the other hand, the holding of a special briefing for 20 branch managers of the Thai Bank for Agricultural Cooperatives under the auspices of the FAO/German Foundation for International Development, the study program arranged for two officers of the Bank of Thailand on development of money markets, control of investment operations and foreign borrowings, etc., and for an official of the Reserve Bank of India on exchange control, offshore market operations and monetary policy functions, highlighted the technical assistance given to members of Asian banking institutions during the period.

6. *Central Bank Committees*

For the year in review, several committees/commissions were created or reactivated for purposes of conducting specific studies and researches to assist management in determining the appropriate policies and/or measures to adopt. In some cases, these groups were also charged with implementing existing Central Bank policies.

The more significant committees created during the year were:

a) *Reactivation of the Ad Hoc Inter-Agency Review Committee on Technology Transfers* (M.B. Res. No. 161, January 20, 1978) — As provided under the M.B. Res. No. 205 dated January 21, 1977, members of the committee will coordinate in formulating recommendations to improve existing procedures and policies on technology transfers.

b) *Consolidated Foreign Borrowings Program Committee* (M.B. Res. No. 194, January 27, 1978) — To evaluate loan applications and proposals to the Central Bank under the program, including their negotiation and implementation, and to assist the Government in its borrowing efforts under the program.

c) *Inter-Agency Committee for Review of Loan Documents for Foreign Credits* (M.B. Res. No. 1505, September 1, 1978) — To conduct a simultaneous review of the loan and guarantee agreements as well as all ancillary papers and all legal opinions and side-letters to facilitate the finalization of the required documentation in coordination with the representative and counsel of the lenders.

d) *Ad Hoc Anti-Bank Fraud Committee* (M.B. Res. No. 929, June 9, 1978) — To develop, evaluate, investigate and prosecute before civil courts cases involving bank frauds and anomalies.

e) *Committee on the New Techniques on the Credit and Collection System of Rural Banks* (M.B. Res. No. 2029, December 8, 1978) — To coordinate and monitor the following projects: (a) To explore the feasibility of developing an efficient nationwide marketing system; (b) To introduce in the lending operations of rural banks the use of farmer credit cards; (c) To explore the possibility of revitalizing the agricultural cooperative movement in the Philippines; (d) To tap and reinforce the facilities and resources of the Philippine Training Center for Rural Development.

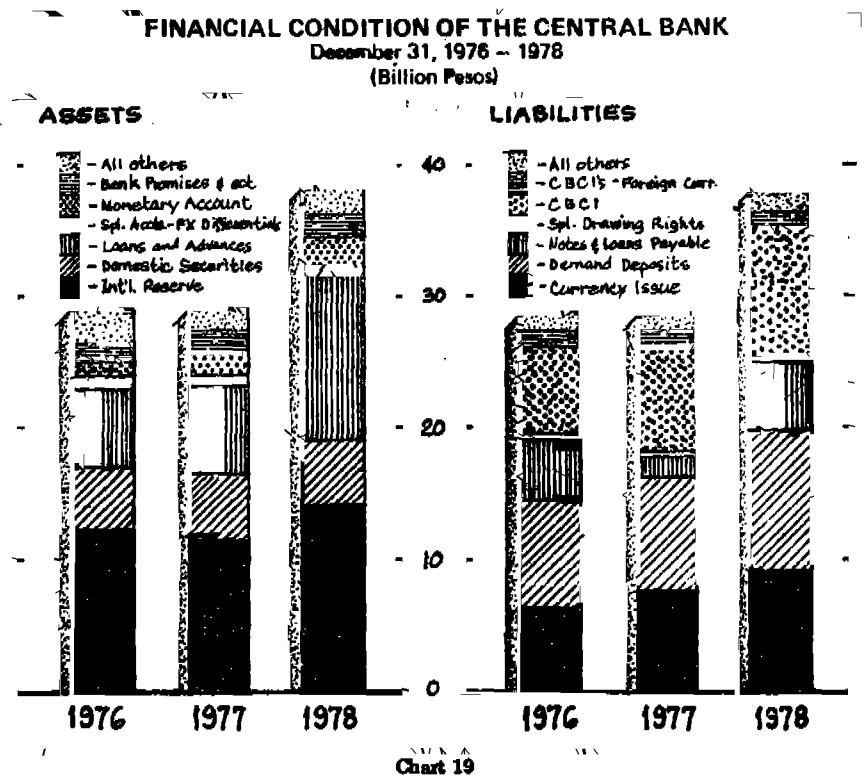
f) *Agricultural Machinery Distributors/Manufacturers Accreditation Committee* (M.B. Res. No. 1278, July 28, 1978) — To process and screen applications of agricultural machinery distributors/manufacturers to do business with any one of the members of the Committee and to approve prices of machineries and/or other items sold to end-users through the financing of said machineries.

g) *Central Bank-Securities and Exchange Commission Coordinating Committee* (M.B. Res. No. 1440, August 25, 1978) — To provide a continuing and permanent mechanism for the proper enforcement of joint responsibilities over financial intermediaries.

h) *Ad Hoc Committee* (M.B. Res. No. 1542, September 8, 1978) — To conduct an in-depth review of the proposal for the issuance of capital certificates as alternative media for the capital build-up of commercial banks.

F. FINANCIAL CONDITION OF THE CENTRAL BANK

As of end-December 1978, total resources of the Central Bank stood at ₱38,358 million or an increase of ₱9,375 million over the level a year ago. The increment was reflected chiefly in the international reserve and loans and advances accounts which surged by ₱2,669 million and ₱5,995 million respectively. However, the Bank reduced its holdings of domestic securities from ₱5,166 million to ₱4,872 million in line with its open market operations.



To cope with its expanding functions and responsibilities the Bank improved and added to existing physical facilities so as to enhance operational efficiency. Thus, the fixed assets account rose from ₱1,542 million to ₱1,641 million during the year.

TABLE 53. — COMPARATIVE STATEMENT OF CONDITION
OF THE CENTRAL BANK
December 31, 1977 and 1978

(Million Pesos)

I t e m	1978	1977	Increase or Decrease (—)
ASSETS:			
International Reserve	14,106.2	11,437.3	2,668.9
Domestic Securities	4,871.7	5,165.9	— 294.2
Loans and Advances	12,852.1	6,856.7	5,995.4
Special Account — Foreign Ex- change Differentials	520.6	811.4	— 290.8
Account to Secure Coinage	34.5	34.5	—
Government Note — Treasury Certificate Account	27.3	27.3	—
Monetary Adjustment Account, Government Note	2,349.4	1,546.3	803.1
Bank Premises, Furniture & Equipment	1,641.2	1,561.2	80.0
Other Assets	1,955.0	1,542.3	412.7
TOTAL ASSETS	38,358.0	28,982.9	9,375.1
LIABILITIES:			
Currency Issue	9,234.3	7,766.5	1,467.8
Demand Deposits:	11,099.1	8,587.6	2,511.5
Banking Institutions	3,990.6	3,114.0	876.6
National Government	2,668.7	1,433.0	1,235.7
International Monetary Fund	4,282.1	3,938.2	343.9
Other Deposits	157.7	102.4	55.3
Notes and Loans Payable	5,157.9	1,644.5	3,513.4
Allocation of Special Drawing Rights	444.4	444.4	—
CB Certificates of Indebted- ness	9,907.4	7,996.6	1,910.8
CB Certificates of Indebted- ness — Foreign Currency	1,161.2	1,161.2	—
Revaluation of International Reserve	193.0	193.0	—
Other Liabilities	749.4	769.6	— 20.2
TOTAL LIABILITIES	37,946.7	28,563.4	9,383.3
NET WORTH:			
Capital	10.0	10.0	—
Surplus	307.9	301.2	6.7
Reserve for Currency Insur- ance	65.9	47.0	18.9
Reserve for Refund of Margin Fee	0.3	0.3	—
Undivided Profits	27.2	61.0	— 33.8
TOTAL NET WORTH	411.3	419.5	— 8.2
TOTAL LIABILITIES AND NET WORTH	38,358.0	28,982.9	9,375.1

In consonance with its Charter's overall objective, the Bank increased the notes and coins in circulation by 18.9 per cent to ₱9,234 million from the previous year's level, specifically to meet the cash requirements during the year under review. Also, the Bank issued more Central Bank Certificates of Indebtedness (CBCIs) through its open market operations as domestic currency transactions grew from ₱7,997 million to ₱9,907 million or by 23.9 per cent. Furthermore, the Bank generated an additional ₱3,513 million from borrowings as notes and loans payable rose from ₱1,645 million to ₱5,158 million or by 213.6 per cent.

As custodian of the cash reserves of banks and as depository and collection agent of the Government, the Bank increased its demand deposit liabilities by 29.2 per cent to ₱11,099 million from the balance a year earlier which was accounted for primarily by gains in deposits of banks and the National Government amounting to ₱2,112 million. Meanwhile, IMF demand deposits rose from ₱3,938 million to ₱4,282 million or by ₱344 million. These developments boosted the financial operations of the Bank. Thus, total liabilities grew from ₱28,563 million to ₱37,947 million.

The Bank ended its 1978 operations with a net worth of ₱411 million, registering a decline of ₱8 million over the preceding year's equity. The negative result was brought about solely by a fall of ₱34 million in undivided profits which more than offset the increases in surplus and reserve for currency insurance accounts.

1. The first part of the report is a general introduction to the subject of the study. It discusses the importance of the study and the objectives of the research. It also mentions the scope of the study and the limitations of the research.

2. The second part of the report is a literature review. It discusses the previous studies on the subject of the study. It also mentions the gaps in the existing literature and the need for the current study.

3. The third part of the report is the methodology section. It describes the research design, the data collection methods, and the data analysis techniques used in the study.

APPENDIX ON

MAJOR LEGAL AND ADMINISTRATIVE MEASURES OF ECONOMIC SIGNIFICANCE ADOPTED BY THE GOVERNMENT AND THE MONETARY BOARD DURING 1978

PRESIDENTIAL DECREES

**MALACAÑANG
MANILA**

PRESIDENTIAL DECREE NO. 1282

**FURTHER AMENDING SECTION EIGHTY-EIGHT OF
REPUBLIC ACT NUMBERED TWO HUNDRED
SIXTY-FIVE, AS AMENDED, OTHERWISE
KNOWN AS THE CENTRAL BANK ACT.**

WHEREAS, long-term lending institutions play a vital role in providing medium and long-term funds for housing and other priority programs of the Government;

WHEREAS, it is necessary to afford the Central Bank of the Philippines greater flexibility in the use of its credit facilities so as to augment medium and long-term funds for economic development;

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 the amendment of Republic Act Numbered Two Hundred Sixty-Five, as amended, as follows:

SECTION 1. Section Eighty-eight of Republic Act Numbered Two Hundred Sixty-Five, as amended, is hereby amended to read as follows:

"Sec. 88. Loans to long-term institutions.

"A. Under special circumstances in which the Monetary Board considers it advisable to promote or facilitate the lending operations, or certain classes thereof, of banking institutions engaged in long-term financing, the Central Bank may grant loans or advances to said institutions against pledge or assignment of payments, installments or amortizations of their borrowers. The Monetary Board shall prescribe

the ceilings on said loans or advances based on the payments, installments, or amortizations pledged or assigned: *Provided*, however, That the Central Bank shall finance said loans from non-inflationary sources and shall establish additional safeguards as it deems proper.

“In granting loans and advances under this subsection, the Central Bank shall first ascertain that the payments, installments and amortizations to be pledged or assigned to it are in no case currently in arrears and that said payments, installments and amortizations are related to credit operations which in every case are adequately secured by mortgages. Said mortgages shall be assigned to the Central Bank.”

SEC. 2. This Decree shall take effect immediately.

Done in the City of Manila, this 16th day of January, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

oOo

PRESIDENTIAL DECREE NO. 1309

AUTHORIZING THE CENTRAL BANK OF THE PHILIPPINES TO ENGAGE IN SPECIAL BORROWING AND LENDING OPERATIONS.

WHEREAS, setting the foundation for long-term growth has been and still continues to be the main thrust of the country's development effort;

WHEREAS, substantial foreign financing at the least possible cost has to be continuously provided to maintain the momentum of economic growth that has already been established;

WHEREAS, this objective can best be realized through an integrated approach, rather than individual uncoordinated approaches, to the international capital markets;

WHEREAS, because of its unique position in the economy and its credit standing in the international capital markets, the Central

Bank possesses the negotiating leverage essential to this borrowing strategy;

WHEREAS, it is necessary to afford the Central Bank greater flexibility in its actions to enable it to undertake the borrowing and lending operations required to achieve this objective:

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,

SECTION 1. The Central Bank is hereby authorized to borrow from foreign banks and other foreign or international agencies, both public and private, for the purpose of financing the special credit operations described in Sec. 2 hereof.

SEC. 2. Under special circumstances where the Monetary Board deems it in the national interest, and notwithstanding the provisions of any existing law to the contrary, the Central Bank may grant loans to the Government or to banking institutions from the proceeds of foreign loans obtained by it subject to such terms and conditions as the Monetary Board may prescribe, for the following and analogous purposes:

- a. To lend to banking institutions for relending such funds as may be required to finance approved projects;
- b. To finance Government development projects for which financing from official development assistance (ODA) sources cannot be obtained; and
- c. To refinance existing foreign obligations obtained at relatively more onerous terms.

The Monetary Board shall establish safeguards as it may deem proper to prevent undue inflationary effects of the above-mentioned lending operations and shall issue such rules and regulations as may be necessary to insure a rational and coordinated approach to the international capital markets.

SEC. 3. This Decree shall take effect immediately.

Done in the City of Manila, this 3rd day of March, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

PRESIDENTIAL DECREE NO. 1317

FURTHER AMENDING REPUBLIC ACT NO. 337,
AS AMENDED, OTHERWISE KNOWN AS
"THE GENERAL BANKING ACT."

WHEREAS, it is the responsibility of the government to foster conditions conducive to the development of healthy competition among the different banking institutions;

WHEREAS, one important segment of the banking industry is the thrift banking system whose continued viability is essential to the efficient functioning of the financial system as well as to the attainment of national economic goals; and

WHEREAS, a strong thrift banking system will further enhance its capacity to service fully the increasing needs of households for a more convenient payments facility for personal and consumer finance as well as for long-term financing for home building and home development;

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 the amendment of Republic Act No. 337, as amended:

SECTION 1. Section 20 of Republic Act No. 337, as amended, is hereby further amended to read as follows:

"SEC. 20 A commercial bank shall be a corporation primarily organized for the purpose of performing the functions provided in section twenty-one of this Act and of accepting or creating demand deposits subject to withdrawal by check."

SEC. 2. *Subsection (a)* of Section 31 of the same Act is hereby further amended to read as follows:

"(a) Loans with the security of their own savings and time deposit obligations or of mortgage and chattel mortgage bonds which they have issued, or with the security of savings and time deposit obligations of other banks doing business in the Philippines: *Provided*, That subject to such regulations as the Monetary Board may prescribe, banks may grant: (1) clean loans for personal and household finance in amounts not exceeding the borrower's savings and time deposits in the bank plus his four months' salary or regular income whether from employment or from his own business, and (2) loans for personal and household finance secured by real estate or chattel mortgage. The aggregate loans granted under subsection (2) shall not exceed ten per cent (10%) of the total assets of the bank."

SEC. 3. Subsection (b) of Section 31 of the same Act is hereby amended to read as follows:

“(b) Loans of the following types:

“(1) Loans to encourage the breeding, raising and production of cattle, carabao and other livestock, with maturities up to three years: *Provided, however,* That the Monetary Board may, in special cases and notwithstanding the provisions of the last paragraph of Section seventy-eight of this Act, allow longer maturities. Loans under this subsection shall be repaid in regular installments and shall have as principal security a lien on the animals, the bank being empowered, however, to require, in addition real estate and other securities to its satisfaction; *Provided, however,* That the livestock need not secure the loan if the borrower constitutes a lien or mortgage on real estate property seventy per cent (70%) of the appraised value of which equals or exceeds the amount of the loan granted. The amount of any such loan shall not exceed fifty per cent (50%) of the commercial value of the animals at the time the loan is made but similar additional loans up to fifty per cent (50%) may be made as the value of the stock increases.

“(2) Equipment loans, with maturities up to five years, for the acquisition of any instruments, machinery and other movable equipment for the production, processing, transformation, handling or transportation of agricultural and industrial products for the use of the borrower. Such loans constitute a first lien on the assets so acquired with the proceeds of the loan, the bank being empowered, however, to require as additional security a lien or mortgage on other properties of the debtor: *Provided,* That the lien need not be constituted if the borrower executes a mortgage on real estate property seventy per cent (70%) of the appraised value of which equals or exceeds the amount of the loan granted.

“(3) Loans for the acquisition of agricultural inputs, such as seeds, fertilizers, feeds and other similar items. Such loans shall be secured either by chattel mortgage on growing, standing or stored crops or by any other acceptable collateral and shall be subject to such ceiling and regulations as the Monetary Board may prescribe: *Provided,* That the bank shall be empowered to require as additional security a lien or mortgage on other properties of the debtor: *Provided, further,* That such loans need not be secured by the growing, standing or stored crops or other collateral if the borrower executed a mortgage on real estate property seventy per cent (70%) of the appraised value of which equals or exceeds the amount of the loan granted.”

SEC. 4. Subsection (e) of Section 31 of the same Act is hereby amended to read as follows:

“(e) High grade bonds and other evidences of indebtedness and loans against such obligations, and commercial papers and accounts receivable discounted with recourse, subject to such rules as the Monetary Board may promulgate.”

SEC. 5. Section 31 of the same Act is hereby amended by adding a new subsection after subsection (j) which shall read as follows:

“(k) Such other loans and investments which the Monetary Board may determine as necessary in the furtherance of national economic objectives.”

SEC. 6. Section 32 of the Same Act is hereby amended to read as follows:

“SEC. 32. Except as the Monetary Board may otherwise prescribe, the direct indebtedness to a savings and mortgage bank of any person, company, corporation or firm, including in the indebtedness of the company or firm the indebtedness of the several members thereof, for money borrowed, excluding (a) loans secured by obligations of the Central Bank or of the Philippine Government, (b) loans fully guaranteed by the Government as to the payment of principal and interest, (c) loans to the extent covered by hold-out on, or assignment of, deposits maintained in the lending bank and held in the Philippines, and (d) other loans or credits as the Monetary Board may, from time to time, specify as non-risk assets, shall at no time exceed fifteen per cent (15%) of unimpaired capital and surplus of the bank: *Provided, however,* That this limitation shall not apply to loans made under subsection (f) of section thirty-one.

“Notwithstanding the provisions of the preceding paragraph and subject to such regulations as the Monetary Board may prescribe, the total indebtedness of any borrower to the bank may amount to a further fifteen per cent (15%) of the unimpaired capital and surplus of such bank provided the additional indebtedness is for the purpose of subdivision or housing development.

“Loans accommodations granted by savings mortgage banks to any other bank, as well as deposits maintained by them in any bank licensed to do business in the Philippines, shall be subject to the loan limit to any single borrower as herein prescribed.”

SEC. 7. The same Act is hereby amended by adding a new Section to be designated as Section 72-A which shall read as follows:

“SEC. 72-A. Banking institutions other than commercial banks may, upon prior approval of, and subject to such con-

ditions and rules as may be prescribed by, the Monetary Board, accept or create demand deposits subject to withdrawal by check."

SEC. 8. Section 78 of the same Act is hereby amended to read as follows:

"SEC. 78. Loans against real estate security shall not exceed seventy per cent (70%) of the appraised value of the respective real estate security, plus seventy per cent (70%) of the appraised value of the insured improvements, and such loans shall not be made unless titles to the real estate, free from all encumbrances, shall be in the mortgagor. In the event of foreclosure, whether judicially or extrajudicially, of any mortgage on real estate which is security for any loan granted before the passage of this Act or under the provisions of this Act, the mortgagor or debtor whose real property has been sold at public auction, judicially or extrajudicially, for the full or partial payment of an obligation to any bank, banking or credit institution, within the purview of this Act shall have the right, within one year after the sale of the real estate as a result of the foreclosure of the respective mortgage, to redeem the property by paying the amount fixed by the court in the order of execution, with interest thereon at the rate specified in the mortgage, and all the costs and other judicial expenses incurred by the bank or institution concerned by reason of the execution and sale and as a result of the custody of said property less the income received from the property. However, the purchaser at the auction sale concerned shall have the right to enter upon and take possession of such property immediately after the date of the confirmation of the auction sale and administer the same in accordance with law.

"Similarly, loans on the security of chattels shall not exceed fifty per cent (50%) of the appraised value of the security, and such loans shall not be made unless title to the chattels, free from all encumbrances, shall be in the mortgagor.

"The Monetary Board may, by regulation, prescribe further security requirements to which various types of bank credit shall be subject, and, in accordance with the authority granted to it in section one hundred eleven of the Central Bank Act, the Board may reduce the maximum ratios established in the present section, or, in special cases, increase the maximum ratios established herein.

"The Monetary Board may, similarly, in accordance with the authority granted to it in section one hundred eleven of

the Central Bank Act, reduce the maximum permissible maturities specified in this Act for various types of bank loans, but in no case shall the Board exercise such power to authorize maximum maturities greater than those established in this Act. Any reduction by the Board of the maximum maturities specified in this Act shall apply only to loans made after the date of such action."

SEC. 9. All existing laws, orders, rules and regulations or parts thereof in conflict or inconsistent herewith are hereby repealed or modified accordingly.

SEC. 10. This Decree shall take effect immediately.

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

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

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PRESIDENTIAL DECREE NO. 1318

FURTHER AMENDING REPUBLIC ACT NO. 3779, AS AMENDED, OTHERWISE KNOWN AS "THE SAVINGS AND LOAN ASSOCIATIONS ACT".

WHEREAS, stock savings and loan associations are classified as thrift banks under Section 6-A of Republic Act No. 337, as amended; and

WHEREAS, there is need to amend certain provisions of Republic Act No. 3779, as amended, in order to allow stock savings and loan associations to exercise certain powers granted to other thrift banks under Republic Act No. 337, as amended;

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 the amendment of Republic Act No. 3779, as amended:

Section 1. Subsection (a) of Section 5 of Republic Act No. 3779, as amended, is hereby amended to read as follows:

“(a) To grant loans not exceeding the borrower’s savings and time deposits in the association, plus his four month’s salary or regular income whether from employment or from his own business, or seventy per cent (70%) of the fair market value of any property acceptable as collateral on first mortgage that he may offer as security: *Provided*, That no loan shall have a maturity of more than five 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, notwithstanding the provisions of any existing law, rule and regulation to the contrary, 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 concerned, and collect such reasonable fee for his services as may be authorized by rules promulgated by the Monetary Board.”

SEC. 2. Subsection (a) of Section 6 of the same Act is hereby amended to read as follows:

“Sec. 6 (a) No non-stock association shall have or carry upon its book for any person any demand, commercial or checking account, or any credit to be withdrawn upon the presentation of any negotiable check or draft.”

SEC. 3. All existing laws, orders, rules and regulations or parts thereof in conflict or inconsistent herewith are hereby repealed or modified accordingly.

SEC. 4. This Decree shall take effect immediately.

Done in the City of Manila, this 29th day of March, in the year of our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

PRESIDENTIAL DECREE NO. 1351

AMENDING SECTIONS 30 AND 53 OF THE NATIONAL INTERNAL REVENUE CODE OF 1977 TO AUTHORIZE THE SECRETARY OF FINANCE TO REQUIRE WITHHOLDING OF CREDITABLE INCOME TAXES FROM CERTAIN INCOME PAYMENTS AND TO REQUIRE PROOF OF SUCH WITHHOLDING AS AN ADDITIONAL CONDITION FOR DEDUCTIONS FROM GROSS INCOME

WHEREAS, the most convenient, effective and generally accepted method of collecting income taxes is through the withholding system;

WHEREAS, in order to optimize the effectiveness of the present tax collection system, it is necessary to expand the coverage of the withholding system;

WHEREAS, certain ordinary and necessary expenses and other items allowed as deductions constitute income to the recipients thereof and therefor includible in their gross income;

WHEREAS, in order to insure the collection of the income tax on these income payments, it is necessary to subject such payments to the withholding of tax at source and to require proof of such withholding and payment to the BIR as a requirement for the deductibility of such payment;

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

Section 1. Section 53 (f) of the National Internal Revenue Code of 1977 is hereby amended to read as follows:

“(f) The Secretary of Finance may, upon recommendation of the Commissioner of Internal Revenue, require also the withholding of a tax on the same items of income payable to persons (natural or juridical) residing in the Philippines by the same persons mentioned in paragraph (b) (1) of this Section at the rate of not less than 2-1/2% but not more than 35% thereof which shall be credited against the income tax liability of the taxpayer for the taxable year.”

Section 2. Section 30 of the National Internal Revenue Code of 1977 is hereby amended by adding a new paragraph to read as follows:

“(m) *Additional requirement for deductibility of income payments.* Any income payment which is otherwise deductible from gross income under this Section shall be allowed as a deduc-

tion only if it is shown that the tax required to be deducted and withheld therefrom has been paid to the Bureau of Internal Revenue in accordance with this Section, Section 54 and 93 of this Code."

Section 3. This decree shall take effect immediately.

DONE in the City of Manila, this 17th day of April, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

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PRESIDENTIAL DECREE NO. 1352

IMPOSING A FIVE PERCENT CUSTOMS DUTY AND FIVE PERCENT INTERNAL REVENUE TAX IN LIEU OF THE DUTY AND/OR TAX-FREE IMPORTATION PRIVILEGE

WHEREAS, the policy enunciated under Presidential Decree No. 776 is to rationalize and harmonize the fiscal incentives granted under existing laws in order to conserve government revenues;

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

SECTION 1. All importations which are presently exempt from customs duties and/or internal revenue taxes under the provisions of any general or special laws shall be subject to a 5 percent customs duty and 5 percent internal revenue taxes subject to the same limitations and conditions prescribed under such law, if any. The duty and tax imposed herein shall be computed in accordance with the applicable provisions of the Tariff and Customs Code, as amended, and the National Internal Revenue Code of 1977, respectively.

The customs duty and internal revenue taxes imposed under this section shall not apply to the following importations:

1. Those which are exempt in pursuance of or in compliance with international treaties or commitments, such as the ADB-RP Host Agreement (1966); the 1947 Convention on Privileges and Immunities of the United Nations and its specialized agencies; the United States Agency for International Develop-

ment-RP Agreement; the 1947 Military Bases Agreement; and other similar treaties or commitments;

2. Those which are exempt under Section 17 of Presidential Decree No. 66;
3. Those which are exempt under Section 12 of Presidential Decree No. 87;
4. Those which are exempt under Presidential Decree No. 215;
5. Those which exempt under Section 1 of Presidential Decree No. 292;
6. Those which are exempt under Presidential Decree No. 529;
7. Those which are exempt under Section 15 of Presidential Decree No. 572;
8. Those which are exempt under Presidential Decree No. 604;
9. Those which are exempt under Presidential Decree No. 666;
10. Those which are exempt under Section 76 of Presidential Decree No. 768;
11. Those which are exempt under Presidential Decree No. 783;
12. Those which are exempt under Presidential Decree No. 972; and
13. Those which are exempt under Section 18 of Republic Act No. 6234.

SEC. 2. The pertinent provisions of Presidential Decree No. 218, Presidential Decree No. 269, Presidential Decree No. 348, Presidential Decree No. 413, Presidential Decree No. 440, Presidential Decree No. 535, Presidential Decree No. 538, Presidential Decree No. 634, Presidential Decree No. 681, Presidential Decree No. 690, Presidential Decree No. 926, Presidential Decree No. 990, Presidential Decree No. 992, Presidential Decree No. 1159, Republic Act No. 720, Republic Act No. 3470, Republic Act No. 4156, Republic Act No. 5186, Republic Act No. 6135, Republic Act No. 1161, Republic Act No. 1370, Republic Act No. 2640, Republic Act No. 3054, Republic Act No. 4690, Republic Act No. 4850, Republic Act No. 4071, and Republic Act No. 6042 and hereby repealed or amended accordingly.

SEC. 3. All pertinent provisions of special charters granting franchise and/or similar provisions of other general and special laws

are likewise repealed or amended accordingly; *Provided, however,* That the President may, upon recommendation of the Fiscal Incentives Review Board, declare a particular provisions of an existing law other than those enumerated in the preceding paragraph as not among those repealed or amended by this paragraph.

SEC. 4. The Secretary of Finance shall, upon recommendation of the Commissioner of Customs, promulgate the necessary rules and regulations for the effective implementation of the provisions of this Decree.

SEC. 5. This Decree shall take effect immediately.

DONE in the City of Manila, this 21st day of April, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

JACOBO C. CLAVE
Presidential Executive Assistant

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PRESIDENTIAL DECREE NO. 1357

AMENDING SECTION 195 OF THE NATIONAL INTERNAL REVENUE CODE OF 1977 PROVIDE FOR A MORE REALISTIC AND EQUITABLE SALES TAX SYSTEM FOR AUTOMOBILES.

WHEREAS, it is recognized that the car manufacturing industry is contributing a vital role in the economic development of the country;

WHEREAS, there is a need to revise the tax system in order to provide for a more realistic and equitable sales taxation for automobiles;

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 the following:

SECTION 1. The National Internal Revenue Code of 1977 is hereby amended to read as follows:

"SEC. 195. *Percentage Tax on Sales of Automobiles.*—There shall be levied, assessed, and collected once only on every original sale, barter,

exchange, or similar transaction for nominal or valuable consideration intended to transfer ownership of, or title to, automobiles, a percentage tax to be paid by the manufacturer or importer, determined in accordance with the following schedules:

"(A) *For locally manufactured automobiles* If the suggested retail or list price or actual retail price, whichever is higher, does not exceed P35,000, the tax shall be 10% of such retail price; if it exceeds P35,000 but does not exceed P40,000, the tax shall be P3,500 plus 20% of the excess over P35,000;

"If it exceeds P40,000 but does not exceed P45,000, the tax shall be P4,500 plus 30% of the excess over P40,000.

"If it exceeds P45,000 but does not exceed P50,000, the tax shall be P6,000 plus 40% of the excess over P45,000;

"If it exceeds P50,000 but does not exceed P55,000, the tax shall be P8,000 plus 50% of the excess over P50,000;

"If it exceeds P55,000 but does not exceed P60,000, the tax shall be P10,500 plus 60% of the excess over P55,000;

"If it exceeds P60,000, the tax shall be P13,500 plus 70% of the excess over P60,000.

"(B) *For imported automobiles*—If the landed cost plus mark-up as established by Section 193 (b) of this Code does not exceed P35,000, the tax shall be 100% of such landed cost plus mark-up;

"If it exceeds P35,000 but does not exceed P40,000 the tax shall be P35,000 plus 125% of the excess over P35,000;

"If it exceeds P40,000 but does not exceed P45,000, the tax shall be P41,250 plus 150% of the excess over P40,000;

"If it exceeds P45,000 but does not exceed P50,000, the tax shall be P48,750 plus 175% of the excess over P50,000;

"If it exceeds P50,000 the tax shall be P57,500 plus 200% of the excess over P50,000.

"Any percentage, specific or mining tax paid under this title, title IV or title VII, respectively, on domestically manufactured, processed or produced, or imported raw materials part, accessory or other article forming part of the finished product shall be credited against the sales tax due on the finished product: Provided, However, That in case the total tax paid on the raw material, part, accessory or other article exceeds the amount of the sales tax due on the finished product, the excess shall be credited against the sales tax liabilities of the manufacturer for the succeeding taxable quarter: And, Provided, Further, That the amount of the tax on the raw material, part, accessory, or other article shall be indicated as a separate item in the sales invoice.

"Whenever the finished product subject to sales tax is manufactured or produced out of any raw material, part, accessory or other article which is tax-exempt, the tax otherwise due on the latter shall be deemed to have been paid for purposes of the next preceding paragraph.

"Parts and accessories of automobiles imported as completely knocked down parts by assemblers registered under the progressive car manufacturing program of the Board of Investments, or their replacements; and imported and locally manufactured spare parts and accessories with which

automobiles are usually equipped shall be subject to the tax under Section 199; PROVIDED, That, imported and locally manufactured parts and accessories of automobiles which are principally for ornamentation or embellishment; and imported standard automobile parts and accessories certified by the Board of Investments as being locally manufactured and available in sufficient quantity and comparable quality and price shall be subject to a tax of 70% of landed cost, plus mark-up.

"For purposes of this Section the term 'suggested retail or list price' shall mean the price at which locally manufactured automobiles are offered for sale to the public, as fixed by the assemblers, which shall in no case be less than 15% over and above the selling price of the assembler to the dealer; or not less than 30% over and above the manufacturing cost, in case of direct sales to the public by the assemblers.

"Automobile assemblers shall submit to the Commissioner of Internal Revenue a sworn statement of the 'suggested retail or list price' of each particular brand, make or model of their products before the same is offered for sale; and, periodically thereafter a notification of any projected change thereof. The assemblers are also required to cause the publication of their respective 'suggested retail or list prices' or any change thereof in a newspaper of general publication.

"A sale of an automobile shall, for the purpose of paragraph (A) this section, be considered to be a sale of the chassis and of the body together with parts and accessories with which the same are usually equipped including other parts and accessories permanently attached thereto at the time of the original sale. The term 'automobiles' used herein shall not include motor vehicles classified as trucks and jeeps."

SEC. 2. The Secretary of Finance shall, upon recommendation of the Commissioner of Internal Revenue, promulgate the rules and regulations for the implementation of this Decree.

SEC. 3. All laws, rules and regulations inconsistent with or contrary to the provisions of this Decree are deemed repealed or amended accordingly;

SEC. 4. This Decree shall take effect upon approval: *Provided*, That the provisions hereof relating to the computation and payment of the quarterly percentage tax on sales of locally manufactured automobiles shall take effect beginning July 1, 1978.

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

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

By the President.

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

PRESIDENTIAL DECREE NO. 1360

FURTHER AMENDING CERTAIN SECTIONS OF REPUBLIC ACT NUMBERED SIXTY-THREE HUNDRED NINETY-FIVE ENTITLED "AN ACT REVISING THE CHARTER OF THE NATIONAL POWER CORPORATION," AS AMENDED BY PRESIDENTIAL DECREE NOS. 380, 395, 758 AND 938.

WHEREAS, the accelerated power expansion program of the National Power Corporation involving as it does the construction of generation facilities in Luzon, Visayas and Mindanao and the setting up of transmission line grids require a greater degree of corporate flexibility in the implementation of said power program as well as in corporate management;

WHEREAS, in pursuing said accelerated power expansion program for generation and transmission facilities, the present capitalization of P8 Billion and the ceiling of foreign borrowing pegged at \$4 Billion would be rendered insufficient by the year 1987 and, therefore, a corresponding increase thereon is necessary in order that such programs would be successfully completed;

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

SECTION 1. Section 5 of Republic Act Numbered Sixty-Three Hundred Ninety-Five, as amended, is hereby amended with the first and second paragraphs thereof duly revised to read as follows:

"Section 5. Capital Stock of the Corporation - The authorized capital stock of the Corporation shall be Fifty Billion Pesos (P50,000,000,000.00) divided into Five Hundred Million (500,000,000) shares having a par value of One Hundred Pesos each, which shares are not to be transferred, negotiated, pledged, mortgaged, or otherwise given as security for the payment of any obligation. The sum of Three Hundred Million Pesos of said capital stock has been subscribed and paid wholly by the Government of the Philippines in accordance with the provisions of Republic Act Numbered Four Thousand Eight Hundred Ninety-Seven.

"The remaining Forty-Nine Billion Seven Hundred Million Pesos shall be subscribed by the Government of the Republic of the Philippines and shall be paid as follows:

"(a) The sum of Twenty-Nine Million Two Hundred Sixty-Seven Thousand Six Hundred Pesos representing outstanding cost and interest of reparation goods procured by the Corporations pursuant to the provisions of Republic Act

Numbered Seventeen Hundred Eighty-Nine, shall be additional paid-in subscription of the Government of the Philippines for Two Hundred Ninety-Two Thousand Six Hundred Seventy-Six shares of stock of said capital stock.

“(b) The balance of said subscription shall be paid by the conversion into equity capital of the existing bonded indebtedness, cost of reparations goods that may be allocated in the future, and surpluses of the Corporation and in the absence thereof, from an annual appropriation of Two Hundred Million Pesos which is hereby appropriated out of any funds in the National Treasury not otherwise appropriated, be they collections from any or all taxes accruing to the general fund or proceeds from loans, the issuance of bonds, treasury bills or notes which are hereby authorized to be incurred or to be issued by the Secretary of Finance for the purpose, such annual appropriation to be programmed and released by the Budget Commission in accordance with the schedule of cash requirements to be submitted by the Corporation; Provided, that this annual appropriation of Two Hundred Million Pesos and the programming and release thereof shall remain in force until the balance of the unpaid subscription of the Government to the capital stock of the Corporation shall have been paid in full.”

SECTION 2. Section 6 of the same Act is hereby amended to read as follows:

“Section 6. The National Power Board; its composition; compensation of members; qualifications; powers and duties: - The corporate powers of the Corporation shall be vested in and exercised by a Board of seven members consisting of a Chairman, Vice-Chairman and five directors who shall be appointed by the President of the Philippines.

“The President of the Corporation shall be the ex-officio Vice-Chairman of the Board.

“The said members of the Board shall serve for terms of three years, except that any person appointed to fill a vacancy shall serve only for the unexpired term of the member whom he succeeds.

“The Board shall meet as often as may be necessary upon call of the Chairman of the Board or upon call by a majority of all the Board members. The members of said Board shall receive a per diem of not to exceed Five Hundred Pesos for each regular or special meeting of the Board actually attended by them, and upon approval of the Secretary of Energy, shall receive such other allowances as the Board may prescribe, any provision of law to the contrary notwithstanding.

"A majority of the members of the Board shall constitute a quorum for the transaction of business.

"The Board, shall, moreover, have the following specific powers and duties:

"(a) To formulate and adopt policies and measures for the management and operation of the Corporation;

"(b) To adopt an annual and supplemental budget of receipts and expenditures of the Corporation according to its requirements;

"(c) To organize, reorganize and determine the Corporation's organization structure and staffing pattern; abolish and create offices and positions; fix the number of its officers and personnel; transfer and re-assign such officers and personnel; fix their compensation, allowances and benefits, the provisions of Presidential Decree No. 985 to the contrary notwithstanding;

"(d) To fix the compensation of the President of the Corporation who shall be appointed by the President of the Philippines; and to appoint and fix the compensation of other corporate officers;

"(e) For cause, to suspend or remove any corporate officer appointed by the board;

"(f) To adopt and set down guidelines for the employment of personnel on the basis of merit, technical competence and moral character;

"(g) To take care that in fixing the rates and fees to be charged by the Corporation considerations of adequacy, reliability and sustained power service at the least possible cost to the public and of limited return on investments as prescribed in Section 5 hereof, shall be taken;

"(h) Any provision of law to the contrary notwithstanding, to write off bad debts."

SECTION 3. Section 7 of the same Act is hereby amended, to read as follows:

"Section 7. The President of the Corporation, his powers and duties; and other Corporate Officers and employees of the Corporation: — The President of the Corporation who shall be the Chief Executive Officer of the Corporation, shall be assisted by such number of Corporate Officers and employees as may be deemed necessary by the Board of Directors of the Corporation.

“The President of the Corporation shall have the following powers and duties:

“(a) To execute and administer the policies and measures approved by the Board, and have the responsibility for the efficient discharged of management functions;

“(b) To submit for the consideration of the Board such policies and measures which he deems necessary to carry out the purposes and provisions of this Act;

“(c) To direct and supervise the operation and internal administration of the Corporation and, for this purpose, may delegate some or any of his administrative responsibilities and duties of his administrative responsibilities and duties to other officers of the Corporation;

“(d) Subject to the guidelines and policies set up by the Board, to appoint and fix the number and compensation of subordinate officials and employees of the Corporation; and for cause, to remove, suspend or otherwise discipline any subordinate employee of the Corporation;

“(e) To prepare an annual report to the Board on the activities of the Corporation at the close of each fiscal year and upon approval thereof, submit a copy to the President of the Philippines and to such other agencies as may be required by law,

“(f) To represent the Corporation in all dealings and transactions with other offices, agencies and instrumentalities of the Government and with all persons and other entities, private or public, domestic or foreign;

“(g) To exercise such other powers and duties as may be vested in him by the Board from time to time.

“The Commission on Audit shall appoint a representative who shall be the Auditor of the Corporation. In carrying out his responsibilities, he shall be assisted by such number of personnel as shall be necessary, whose appointments shall be subject to the approval of the Board. The salaries of the Auditor and his staff shall be fixed and approved by the Board.”

SECTION 4. Section 8 of the same Act is hereby amended to read as follows:

“(a) Domestic Indebtedness - Whenever the Board deems it necessary for the Corporation to incur indebtedness by con-

tracting loans with domestic financial institutions or to issue bonds to carry out the purpose for which the Corporation has been organized, it shall, by resolution, approved by at least four members of the Board, so declare and state the purpose for which the proposed debt is to be incurred and such terms and conditions as it shall deem appropriate for the accomplishment of the said purpose; Provided, that in the case of bond issues, the same shall be subject to the approval of the President of the Philippines upon recommendation of the Secretary of Finance.

"The bonds issued under the authority of this subsection shall be exempt from the payment of all taxes by the Republic of the Philippines, or by any authority, branch, division or political subdivision thereof which facts shall be stated upon the face of said bonds. Said bonds shall be receivable as security in any transaction with the Government in which such security is required.

"The Republic of the Philippines hereby guarantees the payment by the Corporation of both the principal and the interest of the bonds issued by said Corporation by virtue of this Act, and shall pay such principal and interest in case the Corporation fails to do so, and there are hereby appropriated, out of the general funds in the National Treasury not otherwise appropriated, the sums necessary to make the payments guaranteed by this Act; Provided, That the sums so paid by the Republic of the Philippines shall be refunded by the Corporation; Provided, further, That the Corporation shall set aside five per centum of its annual net operating revenues before interests as a reserve or sinking fund to answer for amounts advanced to it by the National Government for any loan, credit and indebtedness contracted by the former for which the latter shall be answerable as primary obligor or guarantor under the provisions of this Act; Provided, furthermore, That the setting aside of the amounts mentioned herein shall automatically cease the moment the accumulated sinking fund or reserve exceeds the amounts advanced to the Corporation by the National Government under this Act; And, Provided, finally, That the Corporation may periodically make partial payments to the National Government out of the said reserves.

"(b) Foreign Loans — The Corporation is hereby authorized to contract loans, credits, in any convertible foreign currency, or capital goods, and indebtedness from time to time from foreign governments, or any international financial institution or fund source, or to issue bonds, in such amount and in foreign currency on such terms and conditions as it shall deem appropriate for the accomplishment of its purposes and to enter into and execute agreements and other documents specifying such terms and conditions.

"The President of the Philippines, by himself, or through his duly authorized representative, is hereby authorized to negotiate and contract with foreign governments or any international financial institutions or fund sources, in the name and on behalf of the Corporation, one or several loans, for the purpose of assisting in the reconstruction, or promoting the development of the economy of the country.

"The President of the Philippines, by himself, or through his duly authorized representative, is hereby further authorized to guarantee, absolutely and unconditionally as primary obligor and not as surety merely, in the name and on behalf of the Republic of the Philippines, the payment of the loans, credits, indebtedness and bonds issued up to the amount herein authorized which shall be over and above the amount which the President of the Philippines is authorized to guarantee under Republic Act Numbered Sixty-One Hundred Forty-Two, as amended, as well as the performance of all or any of the obligations undertaken by the Corporation in the territory of the Republic of the Philippines pursuant to loan agreements entered into with foreign governments or any international financial institutions or fund sources.

"In the contracting of any loan, credit or indebtedness under this Act, the President of the Philippines may, when necessary agree to waive or modify the application of any law granting preferences or imposing restrictions on international competitive bidding, including among others, Act Numbered Four Thousand Two Hundred Thirty-Nine, Commonwealth Act Numbered One Hundred Thirty-Eight, the provisions of Commonwealth Act Numbered Five Hundred Forty-One, Republic Act Numbered Five Thousand One Hundred Eighty-Three, insofar as such provisions do not pertain to constructions primarily for national defense or security purposes; Provided, however, That as far as practicable, utilization of the services of qualified domestic firms in the prosecution of projects financed under this Act shall be encouraged; Provided, further, That in case where international competitive bidding shall be conducted preference of at least fifteen per centum shall be granted in favor of articles, materials or supplies of the growth, production of manufacture of the Philippines; Provided, finally, That the method and procedure in the comparison of bids shall be the subject of agreement between the Philippine Government and the lending institution.

"The loans, credits and indebtedness contracted under this subsection and the payment of the principal, interest and other charges thereon, as well as the importation of machinery, equipment, materials, supplies and services by the Corporation, paid from the proceeds of any loan, credit or indebtedness, in-

curred under this Act, shall also be exempt from all direct and indirect taxes, fees, imposts, other charges and restrictions, including import restrictions previously and presently imposed, and to be imposed by the Republic of the Philippines, or any of its agencies and political subdivisions."

SECTION 5. A new section shall be inserted to be known as Section 160A of the same Act, to read as follows:

"Section 16-A -- Transitory Provisions:

- "(a) The word "President" in Section 3 (k) of this Act shall refer to the President of the Philippines;
- "(b) The phrase "General Manager of the Corporation" in this Act, as amended, shall mean the President of the Corporation; And further, the phrase "Regional Manager" in this Act, shall mean Corporate Officer;
- "(c) Until the President of the Philippines appoints the President of the Corporation, the incumbent General Manager of the Corporation shall, as may be determined by the Board, either act as President of the Corporation or hold such office with such duties and responsibilities as shall be determined by the Board; Provided, That, upon the assumption of office by the President of the Corporation appointed by the President of the Philippines, said incumbent General Manager of the Corporation shall without any diminution in salary, allowances and benefits, hold such office and perform such duties and responsibilities as shall be determined by the Board."

SECTION 6. Repealing Clause. All laws, decrees, executive orders, administrative orders, rules and regulations inconsistent herewith are hereby repealed, amended or modified accordingly.

SECTION 7. This Decree shall take effect immediately.

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

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

PRESIDENTIAL DECREE NO. 1387

FURTHER AMENDING REPUBLIC ACT ONE THOUSAND ENTITLED "AN ACT AUTHORIZING THE PRESIDENT OF THE PHILIPPINES TO ISSUE BONDS TO FINANCE PUBLIC WORKS AND PROJECTS FOR ECONOMIC DEVELOPMENT, AUTHORIZED BY LAW AND FOR OTHER PURPOSES," AMENDED.

WHEREAS, under Section 1 of R.A. 1000, as amended, the President of the Philippines, upon recommendation of the Secretary of Finance, the Monetary Board and the National Economic and Development Authority, is authorized to issue, preferably in the Philippines or abroad if necessary, in the name and in behalf of the Republic of the Philippines Bonds, including lottery bonds, in an amount not exceeding two billion pesos for socio-economic development;

WHEREAS, the present economic and social development plans entail massive financing not only for foreign sources but also from domestic borrowings to meet the peso counterpart funds required to sustain the various foreign-assisted projects of the Government designed to enhance economic growth;

WHEREAS, the balance out of the ceiling of two billion pesos fixed for domestic borrowings under the present law is considered insufficient to continuously support the Government's overall development plans;

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 further amendment to paragraph 1, Section of R.A. 1000, as amended to read as follows:

"SECTION 1. Upon the recommendation of the Secretary of Finance, the Monetary Board, and the National Economic and Development Authority, the President of the Philippines is authorized to issue, preferably in the Philippines, or abroad if necessary, in the name and in behalf of the Republic of the Philippines bonds, including lottery bonds, in an amount not exceeding five billion pesos to finance public works and projects for economic and social development which have high economic or social rates of returns and which are authorized by law, including expropriation of lands for subdivision and resale to individuals, or to repay or service bonded obligations of the Government incurred for such projects: *Provided*, however That investments in such projects by provinces, cities, and municipalities shall be limited by the paying capacity of the province, city or municipality to be certified by the Secretary of Finance and that the probable income from such projects shall be taken into consideration: And *provided, further*, That no issue shall be made if eighty percentum of the immediately preceeding issue of the same type has not been sold; *Provided finally*, That no more than five percentum of this bond issue shall be used to pay government obligations loans and advances, whether secured or unsecured, guaranteed by the National Government, made by

government-owned or controlled financial institutions other than the Central Bank, to government political subdivisions, offices and instrumentalities and/or loans committed by government-owned and/or controlled financial institutions other than the Central Bank, guaranteed by the Government, that cannot be met on maturity."

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

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

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PRESIDENTIAL DECREE NO. 1393

AMENDING TITLE IV (SPECIFIC TAXES) OF THE NATIONAL INTERNAL REVENUE CODE OF 1977; BY ADDING A NEW SECTION THERETO PROVIDING FOR A FLEXIBILITY CLAUSE, AND FURTHER AMENDING SECTION 193 (c), TITLE (TAXES ON BUSINESS), BY PROVIDING FOR ADDITIONAL CONDITIONS AND SPECIFIC LIMITATIONS ON THE EXERCISE OF THE POWER UNDER THE FLEXIBILITY CLAUSE.

WHEREAS, it is necessary to give flexibility to the tax system in order to improve and optimize its sensitiveness and conformity to the rapidly changing patterns of the economic, social, and political environment;

WHEREAS, the President is equipped with relevant data for the formulation of immediate, timely and effective measures to make the tax system more responsive to current conditions;

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 the following:

SECTION 1.—Title IV (Specific Taxes) of the National International Revenue Code of 1977 is hereby amended by adding a new section thereto, Section 158—A, to read as follows:

"SEC. 158—A.—*Flexibility Clause.* (a) *In general.*—In the interest of the national economy and general welfare, and subject to the limitations herein prescribed, the President upon recommendation of the Secretary of Finance and the National Economic and Development Authority, is hereby empowered to revise the rates of specific taxes.

"The foregoing authority may be exercised by the President if any of the following conditions exists:

"(1) Where, in the interest of economic development, it is necessary to redirect expenditure or consumption patterns;

"(2) Whenever by reason of fluctuation of currency values and/or inflation or deflation, the existing taxable base and rate levels are not longer realistic or consistent with current price levels;

"(3) When it is necessary to counter adverse action on the part of another country.

"(b) *Specific limitations on the exercise of authority granted.*

"1. The existing rates of specific taxes may be increased by not more than 50%, or decreased by not more than 10%.

"2. Before any recommendation is submitted to the President by the Secretary of Finance and the National Economic and Development Authority pursuant to the provisions of this section, a public hearing shall, whenever practicable, be held and interested parties afforded a reasonable opportunity to be heard."

"Section 2.—Section 193 (c), Title V (Taxes on Business) is hereby amended to read as follows:

"SEC. 193.—*Payment of percentage taxes.*—

* * * * *

"(c) *Flexibility Clause.* (1) *In general.*—In the interest of the national economy and general welfare, and subject to the limitations herein prescribed, the President upon recommendation of the Secretary of Finance and the National Economic and Development Authority, is hereby empowered to:

"a) Revise the rates of percentage taxes;

"b) Change the classification of articles enumerated in Sections 194, 195, 196, 197, 198, 199, and 201; and

"c) Revise the taxable base levels in Sections 195 and 197.

"The above authority may be exercised by the President if any of the following conditions exists:

"(1) Where, in the interest of economic development, it is necessary to redirect expenditure or consumption patterns;

"(2) Where, in the light of technological and social changes, it is necessary to change the classification of certain articles on the basis of the changed concept of essentiality or the decree of manufacturing done;

"(3) Whenever by reason of fluctuation of currency values and/or inflation or deflation, the existing taxable base and/or price levels are no longer realistic or consistent with current price levels;

"(4) When it is necessary to counter adverse action on the part of another country.

"(2) *Specific limitations on the exercise of authority granted.*

"a) The existing rates of percentage taxes may be increased by not more than 50%, or decreased by not more than 10%.

"b) The existing price levels may be increased or decreased by not more than 50%

"c) Before any recommendation is submitted to the President by the Secretary of Finance and the National Economic and Development Authority pursuant to the provisions of this section, a public hearing shall, whenever practicable, be held and interested parties afforded reasonable opportunity to be heard."

SEC. 3. *Effectivity.* — This Decree shall take effect upon approval.

Done in the City of Manila, this 31st day of May, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JUAN C. TUVERA
Presidential Assistant

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PRESIDENTIAL DECREE NO. 1395

AMENDING PRESIDENTIAL DECREE NO. 1352

WHEREAS, Presidential Decree No. 1352 was issued in accordance with the policy enunciated under Presidential Decree No. 776 to rationalize and harmonize the fiscal incentives granted under various existing laws for purposes of conserving government revenues;

WHEREAS, in line with such policy, it is necessary to clarify and/or amend the provisions thereof; and

WHEREAS, the importations of government agencies or instrumentalities are governed by Presidential Decree No. 1177 and therefore need not be subject to the provisions hereof:

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

SECTION 1 Presidential Decree No. 1352 is hereby amended to read as follows:

“SECTION 1. All importations which are at present totally or partially exempt from customs duties and/or internal revenue tax under the provisions of any general or special law shall be subject to a five (5%) percent customs duty and five(5%) percent internal revenue tax, subject to the same limitations and conditions prescribed under such law, if any.

“In the case of importations enjoying partial exemption, the said duty and tax shall be imposed on the exempt portion in addition to the duty and tax due on the taxable portion.

“The duty and tax imposed herein shall be computed in accordance with the applicable provisions of the Tariff and

Customs Code of the Philippines, as amended, and the National Internal Revenue Code of 1977, as amended, respectively.

“The customs duty and internal revenue tax imposed under this section shall not apply to the following importations:

“1. Those which are exempt in pursuance of or in compliance with international treaties or commitments, such as the ADB-RP Host Agreement (1966); the 1947 Convention on Privileges and Immunities of the United Nations and its specialized agencies; the United States Agency for International Development-RP Agreement; the 1947 Military Bases Agreement; and other similar treaties or commitments;

“2. Those which are exempt under the following Presidential Decrees:

- “(a) Presidential Decree No. 66;
- “(b) Presidential Decree No. 87;
- “(c) Presidential Decree No. 529;
- “(d) Presidential Decree No. 215;
- “(e) Presidential Decree No. 666; and
- “(f) Presidential Decree No. 972;

“3. Importations of machinery, equipment and spare parts shipped with such machinery and equipment made by enterprises registered with the appropriate government agency, on or before April 21, 1978, under any tax incentive law, subject to the following conditions:

“(a) That the importation has been authorized by the appropriate government agency for the prosecution of specific projects already approved by the said agency as of April 21, 1978; and

“(b) That the herein exemption shall not be authorized beyond December 31, 1981.

“SEC. 2. The duty and tax imposed herein shall be paid before release of the imported articles from custom's custody.

“Where the corresponding tax incentive law authorized a deferral of the duty internal revenue tax due from registered non-pioneer enterprises, by the appropriate implementing government agency.

“SEC. 3. Unless otherwise provided by law, in the case of importations subjected to the five (5%) percent customs duty and five (5%) percent internal revenue tax herein imposed which are subsequently sold, transferred or exchanged to non-exempt persons or

entities, the purchaser shall be considered the importer thereof and shall be liable for the difference between the full customs duty and internal revenue tax due thereon based on the depreciated value of the article at time of sale, transfer or exchange and the five (5%) percent customs duty and five(5%) percent internal revenue tax previously paid. The duty and tax due on such article shall constitute a lien on the article itself, superior to all other charges or lien irrespective of the possessor thereof.

“SEC. 4. The pertinent provisions of the following laws are hereby repealed or amended accordingly:

- “(a) Presidential Decree No. 218, as amended by Presidential Decree No. 348;
- “(b) Presidential Decree No. 413;
- “(c) Presidential Decree No. 440;
- “(d) Presidential Decree No. 535;
- “(e) Presidential Decree No. 538,
- “(f) Presidential Decree No. 634;
- “(g) Presidential Decree No. 992;
- “(h) Presidential Decree No. 1159;
- “(i) Republic Act No. 720;
- “(j) Republic Act No. 1370;
- “(k) Republic Act No. 2640;
- “(l) Republic Act No. 3470, as amended;
- “(m) Republic Act No. 5186; as amended;
- “(n) Republic Act No. 6135, as amended; and
- “(o) Other general and special laws, and special charters granting franchises.

“SEC. 5. The President may, in the interest of national economic development; upon recommendation of the Fiscal Incentives Review Board, restore any exemption benefit withdrawn under this Decree.”

SEC. 2. The Secretary of Finance shall, upon the recommendation of the Commissioner of Customs and in consultation with the appropriate government agency, promulgate the necessary rules and regulations for the effective implementation of the provisions of this Decree.

SEC. 3. All laws, rules and regulations or parts thereof inconsistent with the provisions of this Decree are hereby repealed or amended accordingly.

SEC. 4. This Decree shall take effect upon approval. However, any duty and internal revenue tax already paid on importations mentioned in paragraph 3 of Section I hereof shall be recomputed in accordance with the provisions of this Decree.

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

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

By the President:

JACOBO C. CLAVE
Presidential Executive Assistant

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PRESIDENTIAL DECREE NO. 1400

FURTHER AMENDING PRESIDENTIAL DECREE 564, AS
AMENDED, OTHERWISE KNOWN AS THE REVISED CHAR-
TER OF THE PHILIPPINE TOURISM AUTHORITY, AND
FOR OTHER PURPOSES.

WHEREAS, the Philippine Tourism Authority has been created
as the Government's implementing arm in integrating activities and
services related to tourism development, aside from administering
the tourism incentives decree; and

WHEREAS, there is a need to transform it into a more effective
instrument geared toward the development of the various tourism
infrastructure projects in the country;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President
of the Republic of the Philippines, by virtue of the powers vested in
me by the Constitution, do hereby decree and order the amendment
of P.D. 564, as follows:

SECTION 1. Section 11 of P.D. 564 is hereby amended by
adding a new Section to read as follows:

"Section 11-A. *Authority's Exemption from Taxes.* — In
furtherance and effective implementation of the policy enume-
rated in Section 1 of the Decree, the Authority is hereby
declared exempt:

(a) From the payment of all taxes, duties, fees, charges,
costs and service fees in any court or administrative proceedings
in which it may be a party, to the Republic of the Philippines,
its provinces, cities, municipalities and other government agen-
cies instrumentalities;

(b) From all income taxes, franchise taxes, realty taxes
and all other kinds of taxes and licenses imposed by the Nation-

al Government, or its political subdivisions, instrumentalities or agencies; and

(c) From all tariff and customs duties, and advance sales tax on importations of capital equipment required for its operations."

SEC. 2. Section 23 is hereby amended by adding a new Section to read as follows:

"Section 23-A. *General Manager — Appointment and Tenure* — The General Manager shall be appointed by the President of the Philippines and shall serve for a term of six (6) years unless sooner removed for cause; *Provided*, That upon the expiration of his term, he shall serve as such until his successor shall have been appointed and qualified."

SEC. 3. Section 30 is hereby amended to read as follows:

"Section 30. *Exemption from coverage of the Office of the Compensation and Position Classification*. — The regular professional and technical personnel of the Authority shall be exempted from Office of Compensation and Position Classification Rules and Regulations.

"Any government retiree employed in the Authority shall not be required to reimburse or refund any gratuity received from the government nor shall any pension or annuity to which he is entitled be suspended or reduced on account of his employment in the Authority."

SEC. 4. All acts, decrees, Executive Orders, Administrative Order, Rules and Regulations or parts thereof inconsistent with the Provisions of this Decree are hereby repealed or modified accordingly.

SEC. 5. This Decree shall take effect immediately upon its approval.

Done in the City of Manila, this 5th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

PRESIDENTIAL DECREE NO. 1402

CREATING THE PHILIPPINE NATIONAL IRON AND STEEL CORPORATION, DEFINING ITS POWERS AND FUNCTIONS, PROVIDING FUNDS THEREFORE AND FOR OTHER PURPOSES

WHEREAS, the availability at all times of iron and steel products at reasonable cost is essential for the promotion of the national welfare, economic progress and industrialization;

WHEREAS, it is imperative for the Government to take a more active role in the iron and steel industry in order to so assure an adequate or increased supply at all times of such iron and steel products at reasonable cost.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby create the Philippine National Iron and Steel Corporation, and further order and decree the following, as part of the law of the land, to be the Charter of the Philippine National Iron and Steel Corporation:

Section 1. *Title.* — This Decree shall be known as the “Charter of the Philippine National Iron and Steel Corporation.”

Section 2. *Declaration of Policy.* — It is hereby declared to be the policy of the Government to promote the welfare, economic progress and industrialization of the country through the effective development of the iron and steel industry. Accordingly, the creation of an organized corporate entity is necessary to assure an adequate or increased supply at all times of iron and steel products at reasonable cost to all users for the accelerated economic growth and industrialization of the country and the region.

Section 3. *Creation, Name, Domicile and Term.* — To carry out the above policy there is hereby created a body corporate to be known as the Philippine National Iron and Steel Corporation, hereafter referred to as the “Corporation.”

The principal office of the Corporation shall be determined by its Board of Directors. It may also establish such offices, branches, agencies or correspondents or other units in the Philippines or abroad as its business operations may require.

The Corporation shall have a term of fifty years from its creation hereof, which shall be deemed renewed for an equal period unless sooner dissolved by law.

Section 4. *Purposes and Powers.* — The Corporation shall have the following purposes and powers:

(a) To invest in the iron and steel industry as well as in any activity related to iron or steel operations, and to set up or form business subsidiaries under the Corporation Law or through the acquisition of the controlling interests of existing corporations, which may be necessary or contributory to the economic development of the country and the region, or important in the public interest or deemed convenient or incidental to the carrying on of any of the purposes of the Corporation, or which will promote the well-being of the Corporation;

(b) To provide and maintain an adequate or increased supply at all times of iron and steel products at reasonable cost for domestic requirements and exports;

(c) To reduce the excessive dependence of the country and the region on imports of iron and steel products;

(d) To foster conditions of iron and steel production conducive to a balanced and sustainable growth of the economy and the region.

Subject to governmental policy, the Corporation shall also have the following purposes and powers:

(a) To enter into contracts with any person or entity, domestic or foreign, and with governments for the undertaking of the varied aspects of the iron or steel industry, under such terms and conditions as it may deem proper and reasonable;

(b) To purchase, hold, alienate, mortgage, pledge or otherwise dispose of the stocks, bonds, and other securities or evidences of indebtedness of any other corporation, association, firm or entity, domestic or foreign, and, while the owner or holder thereof, to exercise all the rights and powers of ownership, including the right to vote thereon for any purpose;

(c) To hold lands and acquire rights over mineral lands as may be necessary to accomplish its purposes;

(d) Subject to existing rights, to lease or contract for unappropriated public waters and foreshore and offshore areas, which, in the decision of the President of the Philippines, is essential to the exercise of the purposes of the Corporation, and the same shall be granted to the Corporation by the proper government agency concerned under such terms and as may be mutually agreed upon between them;

(e) To enter into any lawful arrangement for sharing profits, joint venture, union, interests, reciprocal concession or cooperation with any person or corporation, association, part-

nership, syndicate or entity located in or organized under the laws of any authority in any part of the world in the carrying on of any business which the Corporation is authorized to carry on, or any business or transaction deemed necessary on of any of the purposes of the Corporation;

(f) To acquire assets, real or personal, or interest therein, and encumber or otherwise dispose of the same as it may deem proper and necessary in the conduct of its business;

(g) To establish and maintain for its own use such communication system, whether by radio, telegraph or any other manner, without the need of a separate franchise therefor;

(h) To determine its organizational structure, and the number and salaries of its officers and employees, in accordance with existing laws, rules and regulations;

(i) To design, write, prepare, publish and display, in any manner, advertisements, publicity or promotional devices of all kinds for itself or for others which are necessary or convenient for the accomplishment of the purposes of the Corporation.

(j) To exercise the right of eminent domain as may be necessary for the purposes for which the Corporation is created, subject to existing provisions of laws;

(k) Subject to payment of the proper amount, to enter private lands for the purpose of conducting studies in connection with its purposes, powers and functions;

(l) To acquire easement over public private lands necessary for the purpose of carrying out any work essential to its purposes, powers and functions, subject to payment of reasonable considerations;

(m) To adopt a code of by-laws to complement this charter;

(n) To adopt and use a corporate seal which shall be judicially noticed, to sue and be sued; and

(o) To perform such corporate acts and exercise such corporate functions authorized by the Corporation Law not inconsistent with this decree and such other acts necessary for the attainment of the purposes and objectives herein specified.

The preceding clauses shall be construed and interpreted as both purposes and powers, and the matters expressed in them shall, ex-

cept as otherwise expressly provided, be in no wise limited by reference to or inference from the terms of any other clause, but shall be regarded as independent purposes and powers, and the enumeration of specific purposes and powers shall not be construed to limit or restrict in any manner the meaning in general terms of the general powers of the Corporation, nor shall the expression of one thing be deemed to exclude another not expressed, if it be of like nature.

Section 5. *Subsidiaries.* — The controlling interest of the business subsidiaries of the Corporation shall, within a reasonable period from their incorporation or the purchase of their controlling interest by the Corporation, be transferred for value to the private sector: Provided, That in consideration of the the fact that the business subsidiaries of the Corporation shall be transferred to or controlled by the private sector within a reasonable period as a forementioned and that these business subsidiaries are formed under the Corporation Law, such business subsidiaries shall not be subject to any law, decree, executive order, circular, rule or regulation or restriction which pertains to government-owned or controlled corporations nor shall the said subsidiaries be subject to the Civil Service Law nor the Rules and regulations or the standard and salary scales prescribed by the Office of Compensation and Position Classification; in addition, the officers and employees of these business subsidiaries of the Corporation shall not be covered by the Government Service Insurance System or by any law, decree, executive order, circular, rule or regulation relating to leaves of absences, retirement privileges, regular working hours, or any other government personnel benefits.

Section. 6. *Governing Body.* — Corporation shall be governed by a Board of Directors, hereinafter referred to as the "Board," which shall be composed of seven (7) members, namely, the Secretary of Industry, the Secretary of Finance, the Secretary of National Defense, the Chairman of the Development Bank of the Philippines, the Solicitor General, the Budget Commissioner, or their duly authorized representatives, and the President of the Corporation.

The President of the Corporation shall be appointed by the President of the Philippines who shall act as such until removed or replaced by him. Other officers and minor officials shall be appointed and their salaries fixed, including that of the President, by the Board.

The Secretary of Industry and the President of the Corporation shall be the Chairman and Vice-Chairman, respectively, of the Board. In the absence of the Chairman, the Vice-Chairman shall act as presiding officer of the Board.

The members of the Board shall act as such for the duration of the term of the Corporation.

The Board shall formulate the policies which may be necessary or incidental to carry out the business of the Corporation or to the

exercise of its express and implied powers or for the accomplishment of any of its purposes.

All the members of the Board or their duly authorized representative, shall receive a per diem of Five Hundred Pesos for each board meeting actually attended by them: *Provided*, That such per diem shall not exceed One Thousand Pesos during any month for each member: *Provided, Further*, that no other allowance or any form of compensation shall be paid them, except actual expenses in travelling to and from their residences to attend board meetings.

The Board shall meet as often and at such dates, times and places as may be necessary to transact all matters as shall properly come before them and require their action as the Board. The meetings of the Board may be called by the President of the Corporation or by the Chairman or by five members of the Board as and when necessary. At least five members of the Board shall constitute a quorum and all decisions of the Board shall require the concurrence of the majority of the quorum.

SECTION 7. *Capital Stock.* — The Corporation shall have a capital stock divided into Two Hundred Million shares with a par value of P10 each to be subscribed, paid for and voted as follows:

(a) One Hundred Sixty-Five Million Eight Hundred Thousand shares shall be originally subscribed and paid for by the Government of the Republic of the Philippines.

(b) The remaining shares of stock may be subscribed and paid for by the Government of the Republic of the Philippines or by government financial institutions.

The voting power pertaining to shares of stock subscribed by the Government of the Republic of the Philippines shall be vested in the President of the Philippines or in such person or persons as he may designate.

The voting power pertaining to shares of stock subscribed by the Government financial institutions shall be vested in them.

SECTION 8. *Powers and Duties of the President.* — The President, who shall be the chief executive of the Corporation shall have the following powers and duties:

(a) To prepare the agenda for the meetings of the Board, and to submit for the consideration of the Board such policies and measures as he believes necessary to carry out the purpose and objectives of this Decree;

(b) To execute, administer and implement the policies and measures approved by the Board;

(c) To direct and supervise the operations and administration of the Corporation;

(d) To appoint and fix the compensation for all the employees, except the officers, of the Corporation;

(e) To represent the Corporation in all dealings with other offices, agencies and instrumentalities of the government and with all persons and other entities, public or private, domestic or foreign; and

(f) To exercise such other powers and perform such other duties provided in the by-laws and as may be vested in him by the Board.

SECTION 9. *Legal Counsel.* — The Solicitor General shall be the ex-officio legal counsel of the Corporation and he may designate a representative for that purpose.

SECTION 10. *Auditor.* — The Chairman of the Commission on Audit shall appoint a representative who shall be the Auditor of the Corporation and such personnel as may be necessary to assist said representative in the performance of his duties. The budget of the Office of the Auditor shall be appropriated by the Corporation, subject to the approval of the Board. Such representative shall render a semestral report on the financial condition and operations of the Corporation to the Chairman of the Commission on Audit and Board. The Chairman of the Commission on Audit shall submit to the President of the Philippines an annual report covering the financial conditions and operations of the Corporation. These auditing reports shall contain a statement of the resources and liabilities including earnings and expenses, reserves and profits, as well as losses, bad debts and such other facts which, under the auditing rules and regulations, are considered necessary to accurately describe the financial conditions and operations of the Corporation: *Provided*, That before such reports are made, the Corporation shall be given reasonable opportunity to examine the reports and make exceptions to any criticisms of the Auditor of the Corporation or the Chairman of the Commission on Audit, as the case may be, to point out, explain or answer any inaccuracies therein, if any, and to file a statement which shall be appended by the Auditor of the Corporation and the Chairman of the Commission on Audit in their respective reports.

The Auditors of the business subsidiaries of the Corporation shall be appointed by their respective Boards of Directors.

SECTION 11. *Applicability of Civil Service Law and Other Laws.* — The Corporation and its officers and employees shall be subject to the Civil Service Law, rules and regulations, as well as to

all laws, decrees, executive orders, circulars, rules or regulations pertaining to government-owned or controlled corporations and relating to government personnel benefits.

The provisions of the Corporation Law shall apply to the Corporation and its business subsidiaries insofar as not inconsistent with the provisions of this Decree.

SECTION 12. *Loans, Guarantees; Issuance of Bonds.* — Subject to the provisions of existing laws, rules and regulations, the Corporation is hereby authorized to contract loans, credits or any indebtedness from time to time from foreign governments, or any financial institutions or fund sources or any other entities, foreign or domestic, on such terms and conditions as it shall deem appropriate for the accomplishment of its purposes and to enter into and execute agreements and other documents specifying the said terms and conditions as well as do or perform any such acts as may be necessary in connection therewith: *Provided*, That the total loans, credits or indebtedness which the Corporation is hereby authorized to contract shall in no case exceed the amount of One and a Half Billion Philippine Pesos from domestic sources and the amount of Four Hundred Million US Dollars, or the equivalent in other foreign currencies, from foreign sources, outstanding at any one time, exclusive of interests.

The Republic of the Philippines, through the President of the Philippines, or his duly authorized representative, is empowered to guarantee, absolutely and unconditionally, as primary obligor and not as surety merely, the payment of the loans, credits and indebtedness contracted by the Corporation, as herein before provided, in accordance with Republic Act Numbered Sixty-One Hundred Forty-Two, as amended, as well as the performance of all or any of the obligations undertaken by the Corporation pursuant to loan agreements entered into with foreign governments or any international financial institutions or fund sources.

The provision of any law to the contrary notwithstanding, any financial institution owned or controlled by the Government of the Republic of the Philippines, other than the Central Bank, the Government Service Insurance System and the Social Security System, is hereby empowered to guarantee also acceptance credits, loans, transaction, undertakings, or obligations of any kind which may be incurred by the Corporation, whether directly or indirectly, in favor of any person, association or entity, whether domestic or foreign.

The Corporation, upon the recommendation of the Secretary of Finance in consultation with the Monetary Board and with the approval of the President of the Philippines, is hereby empowered to

issue bonds or other securities, which the President of the Philippines, may authorize to be exempt from any or all taxes or to be guaranteed by the Government, to finance its operations.

Section 13. *Appropriation.* — The sum of One Billion Six Hundred Fifty-Eight Million Pesos (P1,658,000,000) is hereby set aside initially and appropriated from the General Funds, not otherwise appropriated, and the same shall be applied to the full payment of the subscription of the Government of the Republic of the Philippines referred to in Section 7, paragraph (a), of this Decree. Other subsequent requirements shall be contained in the Annual Appropriation Act. Releases from this appropriation shall be in accordance with a schedule to be determined by the Secretary of Finance subject to the approval of the President.

SECTION 14. *Transfer of Properties, Rights and Interests.* — To enable the Corporation to effectively carry out its purpose and powers under this Decree, the Development Bank of the Philippines and the Secretary of Finance, the latter acting on behalf of the Government of the Republic of the Philippines, are hereby directed and authorized to transfer, assign and convey to the Corporation such properties, rights/or interests as may be required by the Corporation in connection therewith, under terms and conditions to be mutually agreed upon among them.

SECTION 15. *Reports.* — The Corporation shall, within three months after the end of every fiscal year, submit its annual report to the President of the Philippines. It shall likewise submit such periodic or other reports as may be required of its from time to time.

SECTION 16. *Miscellaneous.* — All heads of Departments, Agencies, Offices and instrumentalities of the National Government as well as political subdivisions are hereby enjoined to extend full cooperation and assistance to the Corporation in the implementation of the provisions of this Decree.

SECTION 17. *Separability Clause.* — Should any provision of this Decree be held unconstitutional, no other provision hereof shall be affected thereby.

SECTION 18. *Repealing Clause.* — All laws, decrees, executive orders, administrative orders, rules or regulations inconsistent herewith are hereby repealed, amended or modified accordingly.

SECTION 19. *Effectivity.* — This Decree shall take effect immediately.

DONE in the City of Manila, this 6th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JUAN C. TUVERA
Presidential Assistant

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PRESIDENTIAL DECREE NO. 1403

AMENDING FURTHER REPUBLIC ACT NUMBERED SEVEN
HUNDRED TWENTY, OTHERWISE KNOWN AS THE
RURAL BANKS' ACT.

WHEREAS, the expansion of the rural economy must be promoted by providing the means of facilitating and improving the productive capacities of the people of the rural communities; and

WHEREAS, the law should adapt to changing conditions in order to attain its objectives and to better service the credit requirements of small farmers, small merchants, small business enterprises, essential rural enterprises or industries and cooperatives.

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 the amendment of Republic Act No. 720, as amended, as follows:

SECTION 1. Section 5 of Republic Act No. 720, as amended, is hereby amended to read as follows:

“SEC. 5. Loans or advances extended by Rural Banks organized and operated under this Act, shall be primarily for the purpose of meeting the normal credit needs of any small farmer or farm family owning or cultivating, in the aggregate, not more than fifty hectares of land dedicated to agricultural production as well as the normal credit needs of cooperatives and small merchants. For the purposes of this Act, a small merchant shall be one whose capital investment does not exceed one hundred thousand pesos or such amount as the monetary board may prescribe as may be warranted by prevailing economic conditions. In the granting of loans, the Rural Bank shall give preference to the application of farmers and merchants whose cash requirements are small.

Loans may be granted by Rural Banks on the security of lands without Torrens titles where the owner of private property can show five years or more of peaceful continuous and uninterrupted possession in concept of owner; or of portions of friar land estates or other lands administered by the Bureau of Lands that are covered by sales contracts and the purchasers have paid at least five years installment thereon, without the necessity of prior approval and consent by the Director of Lands; or of portions of other estates under the administration of the (Land Authority) Department of Agrarian Reform or other governmental agency which are likewise covered by sales contracts and the purchasers have paid at least five (5) years installment thereon, without the necessity of prior approval and consent of the Department of Agrarian Reform or corresponding governmental agency; or of homesteads or free patent lands pending the issuance of titles but already approved, the provisions of any law or regulations to the contrary notwithstanding: *Provided*, That when the corresponding titles are issued the same shall be delivered to the register of deeds of the province where such lands are situated for the annotation of the encumbrance: *Provided, further*, That in the case of lands pending homestead or free patent titles, copies of notices for the presentation of the final proof shall also be furnished the creditor rural bank and, if the borrower-applicant fail to present the final proof within thirty (30) days from date of notice, the creditor rural bank may do so for them at their expense: *Provided, furthermore*, That the applicant for homestead or free patent has already made improvements on the land and the loan applied for is to be used for further development of the same or for other productive economic activities; *Provided finally*, That the appraisal and verification of the status of a land is the full responsibility of the rural bank and any loan granted on any land which shall be found later to be within the forest zone shall be for the sole account of the rural bank to the exclusion of the Central Bank counterpart.

The foreclosure of mortgages covering loans granted by rural banks shall be exempt from the publication in newspapers now required by law where the total amount of loan, including interests due and unpaid, does not exceed Ten thousand pesos (P10,000.00) or such amount as the Monetary Board may prescribe as may be warranted by prevailing economic conditions. It shall be sufficient publication in such cases if the notices of foreclosure are posted in at least three of the most conspicuous public places in the municipality and barrio where the land mortgaged is situated during the period of sixty days immediately preceding the public auction. Proof of publication as required herein shall be accomplished by affidavit of the sheriff or officer conducting the foreclosure sale and shall be attached with the records of the case: *Provided*, That when

a homestead or free patent land is foreclosed the homesteader or free patent holder, as well as his heirs shall have the right to redeem the same within two years from the date of foreclosure in the case of land not covered by a Torrens Title or two years from the date of the registration of the foreclosure in the case of land covered by a Torrens Title: *Provided, finally*, That in the case of borrowers who are mere tenants, the produce corresponding to their share may be accepted as security.

SEC. 2. Section 6 of the same Act, as amended, is hereby amended to read as follows:

"SEC. 6. With the view to insuring balanced rural economic growth and expansion, Rural Banks may, within limits and conditions fixed by the Monetary Board, devote a portion of their loanable funds to meeting the normal credit needs of small business enterprises whose capital investment does not exceed One hundred thousand pesos, or such amount as the Monetary Board may prescribe as may be warranted by prevailing economic conditions, and of essential enterprises or industries, other than those which are strictly agricultural in nature."

Sec. 3. Section 16 of the same Act, as amended, is hereby amended to read as follows:

"SEC. 16. Any city or municipal judge, in his capacity as notary public *ex-officio* shall administer the oath to or acknowledge the instruments of any Rural Bank and its borrowers or mortgagors, free from all charges, fees and documentary stamp tax, collectible under existing laws, relative to any loan or transaction not exceeding Ten thousand pesos, or such amount as the Secretary of Finance, upon the recommendation of the Monetary Board may prescribe as may be necessary to promote and expand the rural economy."

SEC. 4. Section 17 of the same Act, as amended, is hereby amended to read as follows:

"SEC. 17. Any Register of Deeds shall accept from any Rural Bank and its borrowers or mortgagors for registration, free from all charges, fees and documentary stamp tax, collectible under existing laws, any instrument, whether voluntary or involuntary, relating to loans or transactions extended by a Rural Bank in an amount not exceeding Ten thousand pesos: *Provided, however*, That charges, if any, shall only be collectible on the amount in excess of Ten thousand pesos; and that in instruments related to assignments of several mortgages consolidated in a single deed, charges or fees, if any, shall be levied only on the amount in excess of Ten thousand pesos of the consideration in the assignment of each mortgage,

or such amount as the Secretary Board, may prescribe as may be necessary to promote and expand the rural economy.”

SEC. 5. This Decree shall take effect immediately.

DONE in the City of Manila, this 6th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

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PRESIDENTIAL DECREE NO. 1440

CREATING THE GARMENTS AND TEXTILE EXPORT BOARD
(GTEB) DEFINING ITS POWERS AND FUNCTIONS, PRO-
VIDING FUNDS THEREFOR AND FOR OTHER PURPOSES

WHEREAS, it is the policy of the government to develop and promote exports essential for the maintenance of a sustained economic growth, generating the much-needed foreign exchange and the maintenance of a stable position in international reserves;

WHEREAS, an increasing number of countries seek to impose restraint levels on Philippine exports of textiles and garments under the Arrangements regarding the International Trade in Textiles, also known as the Multi-Fibre Agreement (MFA);

WHEREAS, the Philippines has concluded several international trade agreements for the export of textile and garments with other countries;

WHEREAS, there is a need to insure proper implementation of said agreements and effect coordinated efforts in line with the existing government trade development programs.

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 the following:

SECTION 1. *Garments and Textile Export Board.* There is hereby created a Garments and Textile Export Board hereinafter referred to as the Board to be composed of the representative of

the Secretary of Trade, as Chairman, the representative of the Department of Industry, as Vice-Chairman, and one representative each from the Department of Finance, the Board of Investments, the Central Bank of the Philippines, the Tariff Commission and Export Processing Zone Authority as Members. The President shall designate one representative from the private sector designate one representative from the private sector as a Member of the Board without voting rights.

The Textile Export Board established under Letter of Instruction No. 325 and the Garments and Textile Export Office established under Letter of Instruction No. 676 are hereby abolished and their powers and functions as well records and documents are hereby transferred to the Garments and Textiles Export Board herein established.

The Board shall under the Office of the President.

SEC. 2. *Powers and Functions of the Board.* The Board shall have in addition to its general powers of administration the following powers and functions:

a. To oversee the implementation of the garments and textile agreements between the Republic of the Philippines and other countries, particularly the administration of garments and textile quotas;

b. To approve quota allocations, and export authorizations, to issue export licenses and to adopt the necessary measures to expedite the processing of the same;

c. To provide on a regular basis the necessary information and statistics relating to the administration of garments and textile quotas and the flow of garments and textile exports, for monitoring purposes and in order to obtain maximum benefits from textile negotiations with other countries;

d. To promulgate, subject to the prior approval of the National Economic and Development Authority, and implement, all rules and regulations to carry out all international textile agreements entered into between the Republic of the Philippines and importing countries;

e. To fix and collect reasonable fees for the issuances of export quotas, export authorizations, export licenses and other related services, in accordance with the criteria specified in the rules and regulations.

SEC. 3. *Per Diems.* — The member of the Board, including the Chairman and Vice-Chairman shall be entitled to receive a per

diem of Two Hundred Fifty Pesos (P250.00) per meeting actually attended by them: *Provided*, That the total amount in per diems that any member may receive shall not exceed One Thousand Pesos (P1,000.00) per month.

SEC. 4. *Secretariat*. — The Board is hereby authorized to create a Secretariat and appoint personnel thereof, which Secretariat shall consist of a technical and administrative or support staff as may be necessary to assist the Board in the fulfillment of its responsibilities and functions under this Decree. The regular professional and technical personnel of the Secretariat shall be permanent and career in status but upon approval of the President of the Philippines, may be exempt from OCC regulations, *Provided*, that the personnel shall be entitled to the benefits and privileges normally accorded to government employees, such as retirement, GSIS insurance, leave and similar benefits.

SEC. 5. *Appropriations*. — The amount of One Million Pesos (P1,000,000.00) is hereby appropriated to defray organizational and operational expenses of the Board for the calendar year 1978. Thereafter such sums as may be necessary to support the operation of the Board shall be included in the annual Appropriations Act.

SEC. 6. *Penalties*. — The Board is hereby authorized to prescribe appropriate penalties for violations of the rules and regulations promulgated by the Board pursuant to this Decree.

SEC. 7. *Repeal of Inconsistent Laws*. — Letters of Instruction Nos. 325 and 676 as amended are hereby revoked and all other laws, decrees, order, letters of instruction, rules and regulations inconsistent with any provision of this Decree are hereby repealed or revised accordingly.

SEC. 8. *Effectivity*. — This Decree shall take effect immediately.

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

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

By the President:

(SGD.) JUAN C. TUVERA
Presidential Assistant

PRESIDENTIAL DECREE NO. 1450

REORGANIZING THE INVESTMENTS COORDINATION COMMITTEE AND INSTITUTING A MECHANISM FOR THE REORGANIZATION OF ALL COMMITTEES ATTACHED TO THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY, AMENDING FOR THIS PURPOSE ARTICLE FIVE, CHAPTER ONE, PART SIX OF THE INTEGRATED REORGANIZATION PLAN.

WHEREAS, the formulation and coordination of investment policies of government financial institutions should be closely linked with financial planning for major national projects so as to secure the optimum use of resources available from such institutions as well as those available from the national government and foreign sources within the context of approved development plans and programs;

WHEREAS, there is a need to evaluate the fiscal, monetary and balance of payments implications of major national projects and recommend to the President the timetable of the implementation of these projects on a regular basis, particularly those that require foreign financing assistance;

WHEREAS, there is a need to streamline and coordinate the existing organizational mechanisms for the performance of all these tasks in order to avoid unnecessary duplication of functions; and

WHEREAS, there is also a need to institute a system of making the organizational structure of the various committees attached to the NEDA sufficiently flexible to cope with fast changing developments in the areas of activities that the committees are responsible for;

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. Paragraph Two, Article Five, Chapter One, Part Six of the Integrated Reorganization Plan is hereby amended to read as follows:

"The Committee shall be composed of eleven members, with the Secretary of the Department of Finance as Chairman; the Director-General of the National Economic and Development Authority as Co-Chairman; the Chairman of the Board of Investments as Vice-Chairman; the Governor of the Central Bank of the Philippines, the Chairman of the Development Bank of the Philippines, the President of the Philippine National Bank, the President of the Land Bank of the Philippines, the

President of the Philippine Amanah Bank, the President and General Manager of the Government Service Insurance System, The Administrator of the Social Security System and the Commissioner of the Budget Commission; as members."

SEC. 2. The following sub-paragraphs under paragraph three of the same article are hereby added:

"d. To evaluate the fiscal, monetary and balance of payments, implications of major national projects and recommend to the President the timetable of the implementation of these projects on a regular basis, particularly those that require foreign financing assistance. In this regard the following shall be taken into account, among others:

(1) priority rating of the project within the context of the national development plan;

(2) peso requirements of the project in terms of the current and capital outlays needing peso support directly or indirectly from the national government and government financial institutions;

(3) sources of funds;

(4) terms and conditions of the proposed financing;

(5) impact of the proposed project on domestic and foreign debt ceilings; and

(6) effects on the international balance of payments position.

e. To conduct hearings and evaluate major project proposals of government departments and agencies, government-owned or controlled corporations and private enterprises; and

f. To prepare a domestic and foreign borrowing program updated each year, and to submit to the President a status of the fiscal, monetary and balance of payments implications of major rational projects."

SEC. 3. A new paragraph to be known as paragraph five is hereby added to the same Article:

"5. This Committee, as well as all other committees that are now or may hereafter be attached to the National Economic and Development Authority pursuant to a law, decree, letter of instructions, executive or administrative

order or other Presidential directive or issuance, may be recognized upon the recommendation of the National Economic and Development Authority, through its Director-General, to the President; Provided, That, the approval of the President shall be sufficient for the implementation of the Authority's recommendation.

All the committees referred to in the next preceding paragraph shall have the authority to issue rules and regulations to govern its procedures and operations."

SEC. 4. The Committee on Foreign Assisted Projects created under Letter of Instructions No. 592 is hereby abolished and its records, funds, and other assets and liabilities are hereby transferred to the Investment Coordination Committee.

SEC. 5. All laws, decrees, instructions, orders, rules or regulations inconsistent with the provisions of this Decree are hereby repealed or modified accordingly.

SEC. 6. This Decree shall take effect immediately.

DONE in the City of Manila, this 11th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

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PRESIDENTIAL DECREE NO. 1451

AMENDING REPUBLIC ACT NUMBERED THREE THOUSAND FIVE HUNDRED NINETY-ONE, AS AMENDED, ENTITLED "AN ACT ESTABLISHING THE PHILIPPINE DEPOSIT INSURANCE CORPORATION DEFINING ITS POWERS AND DUTIES AND FOR OTHER PURPOSES."

WHEREAS, the deposit insurance scheme has been adopted to generate public faith and confidence in the banking system and the Philippine Deposit Insurance Corporation has been established to serve as the implementing agency of the Government;

WHEREAS, the Government is currently engaged in the institution of vital reforms in the banking system to enable it to play a more effective role in the socio-economic development of the country;

WHEREAS, as a means of encouraging the accumulation of more deposits in order to contribute to the socio-economic progress of the country, it is imperative that protection of deposits in banks be enhanced;

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 the amendment of Republic Act No. 3591, as amended, as follows:

SECTION 1. Section three (g) of Republic Act Numbered Three Thousand Five Hundred Ninety-One, as amended, is hereby amended to read as follows:

“SEC. 3. (g) The term ‘insured deposit means the net amount due to any depositor for deposits in an insured bank (after deducting offsets) less any part thereof which is in excess of P15,000.00. Such net amount shall be determined according to such regulations as the Board of Directors may prescribe in determining the amount due to any depositor there shall be added together all deposits in the bank maintained in the same capacity and the same right for his benefit either in his own name or in the name of others.”

SEC. 2. Section six (i) of the same Act is hereby amended to read as follows:

“SEC. 6. (i) Trust funds held by an insured bank in a fiduciary capacity whether held in trust or deposited in any other department or in another bank shall be insured like other forms of deposits, in an amount not to exceed P15,000.00 for each trust estate, and when deposited by the fiduciary bank in another bank such trust funds shall be similarly insured to the fiduciary bank according to the trust estates represented. Notwithstanding any other provision of this Act; such insurance shall be separate from and additional to that covering other deposits of the owners of such trust funds or the beneficiaries of such trust estates: *Provided*, That where the fiduciary bank deposits any of such trust funds in other insured banks, the amount so held by other insured banks on deposit shall not for the purpose of any certified statement required under subsections (b) and (c) of this section be considered to be a deposit liability of the fiduciary bank, but shall be considered to be a deposit liability of the bank in which

such funds are so deposited by such fiduciary bank. The Board of Directors shall have the power by regulation to prescribe the manner of reporting and of depositing such trust funds."

SEC. 3. Section ten (a) and (a-1) of the same Act is hereby amended by deleting and adding the following provisions to read as follows:

"SEC. 10 (a) A permanent insurance fund in the amount of P5,000,000 to be appropriated from the General Fund is hereby created to be used by the Corporation to carry out the purposes of this Act.

(a-1) The permanent insurance fund hereinabove, created is hereby increased to twenty million pesos and for this purpose, the amount of fifteen million pesos is hereby appropriated from the General Fund: *Provided*, That the maximum amount of the insured deposit of any depositor is hereby increased to P15,000.00."

SEC. 4. This Decree shall take effect immediately.

Done in the City of Manila, this 11th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

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PRESIDENTIAL DECREE NO. 1452

FURTHER AMENDING SECTION 7 OF REPUBLIC ACT NUMBERED SEVEN HUNDRED TWENTY, AS AMENDED, OTHERWISE KNOWN AS THE RURAL BANKS' ACT

WHEREAS, under the present law, rural banks have to amend their Articles of Incorporation before private persons acquiring preferred shares of stock held by the government may enjoy the rights and privileges appertaining to common shares of stock; and

WHEREAS, to make investments in rural banks attractive and to further stimulate the growth of such banks, there is need to

provide for the automatic conversion of preferred shares of stock into common stock upon sale to private parties.

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 the amendment of Republic Act No. 720, as amended, as follows:

SECTION 1. Section seven of Republic Act Numbered Seven Hundred and Twenty, as amended, is hereby further amended to read as follows:

“SEC. 7. To provide supplemental capital to any Rural Bank until it has accumulated enough capital of its own to stimulate private investments in Rural Banks, the Development Bank of the Philippines shall, upon certification of the Monetary Board which shall be final, of the existence of such need, subscribe within thirty days to capital stock or any Rural Bank from time to time in an amount equal to the total equity investment of the private shareholders which shall be paid in full at the time of subscription but not exceeding one million pesos: *Provided, however,* That shares of stock issued to the Development Bank of the Philippines, pursuant to this section, may, at any time, be paid off at par and retired in whole or in part if, in the opinion of the Monetary Board, the Rural Bank has accumulated enough capital strength to permit retirement of such shares; or if an offer is received from private sources to replace the equity in investments of the Development Bank of the Philippines with an equivalent investment or more in the common stock of such Bank. In case of such retirement of stock or replacement of equity investments of the Development Bank of the Philippines, the registered private shareholders of the Rural Bank shall have the right of pre-emption within one year from date of offer in proportion to their respective holdings.

Stock held by the Development Bank of the Philippines, under the terms of this section, shall be made preferred only as to assets upon liquidation and without the power to vote and shall share in dividend distributions not exceeding two percent thereof without preference: *Provided, however,* That if such stock of the Development Bank of the Philippines is sold to private shareholders, the same shall be converted automatically into common stock of the class provided for in section nine: *Provided, further,* That pending the amendment on the Articles of Incorporation of the Rural Bank, if necessary, for the purpose of reflecting the conversion into common stock of preferred stock sold to private shareholders, the transfer shall be recorded by the Rural Bank in the stock and transfer book and such shareholders shall thereafter enjoy all the rights and privi-

leges of common stockholders. The preferred stocks so transferred shall be surrendered and cancelled and the corresponding common stocks shall be issued.

The corporate secretary of the Rural Bank shall submit to the Central Bank and the Securities and Exchange Commission a report on every transfer of preferred stock to private shareholders, and such report received by the Securities and Exchange Commission shall form part of the corporate records of the Rural Bank. When all the preferred shares of stock of a Rural Bank have been sold to private shareholders, the Articles of Incorporation of the Rural Bank shall be amended to reflect the conversion of the preferred shares of stock into common stock.

For this purpose, the President, the corporate secretary, and a majority of the Board of Directors shall issue a certificate that all preferred shares have been sold and transferred to private shareholders which, together with a copy of the Articles of Incorporation, as amended, duly certified correct by the said President, corporate secretary, and a majority of the Board of Directors, shall be filed with the Securities and Exchange Commission, which shall attach the same to the original Articles of Incorporation on file with said office.

The Securities and Exchange Commission shall not register the amended articles of incorporations unless accompanied by the certificate of authority required under Section nine of Republic Act Numbered Three Hundred and Thirty-Seven, as amended."

SEC. 2. This Decree shall take effect immediately.

DONE in the City of Manila, this 11th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

PRESIDENTIAL DECREE NO. 1453

FURTHER AMENDING REPUBLIC ACT NUMBERED 6426, AS AMENDED OTHERWISE KNOWN AS THE FOREIGN CURRENCY DEPOSIT ACT OF THE PHILIPPINES.

WHEREAS, under Presidential Decree No. 1035, the authority of certain depository banks under Republic Act No. 6426, which have the necessary resources and managerial competence, was expanded to enable said banks to engage more actively in foreign exchange transactions;

WHEREAS, the objectives behind issuance of P.D. 1035, could be more readily achieved if said depository banks were allowed to freely, engage in foreign exchange trading and other similar transactions without being unduly restricted by existing provisions of law, subject only to the regulatory authority of the Monetary Board;

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 that Republic Act No. 6426, as amended, be further amended as follows:

SECTION 1. The first paragraph of Section 4 Republic Act No. 6426, amended, is hereby amended to read as follows:

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

SEC. 2 This Decree shall take effect immediately.

Done in the City of Manila, this 11th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

JACOBO C. CLAVE
Presidential Executive Assistant

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PRESIDENTIAL DECREE NO. 1454

AMENDING SECTION 5 OF REPUBLIC ACT NUMBERED FIVE THOUSAND NINE HUNDRED TWENTY, OTHERWISE KNOWN AS THE "FINANCING COMPANY ACT."

WHEREAS, the limitations on the purchase discount rates of finance companies on transaction involving the assignment of credit or the purchase of installment papers, accounts receivable and other evidences of indebtedness, are fixed by law under Section 3 of the Financing Company Act;

WHEREAS, there is a need to adopt a more flexible policy on the purchase discounts, fees, and other charges of financing companies that would be more responsive to the requirements of changing economic and social conditions;

WHEREAS, it is desirable and necessary that the Central Bank of the Philippines, as the government agency charged with the responsibility of fostering monetary, credit and exchange condition conducive to a balanced and sustainable growth of the economy, be vested with the power to regulate, change or modify, in coordination with the Securities and Exchange Commission, the purchase discount rates, fees and other charges of finance companies in the same manner that it has legal authority to regulate the interest rate and other charges that may be collected by banks, and other financial intermediaries:

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 the amendment of Republic Act No. 5930, as follows:

SECTION 1. Section 5 of Republic Act No. 5983 is hereby amended to read as follows:

"SEC. 5. Limitation on purchase discount, fees, service and other charges.

"The Monetary Board of the Central Bank of the Philippines is hereby empowered to prescribe, in consultation with the Securities and Exchange Commission, the maximum rate or rates of purchase discounts, fees, service and other charges of financing companies, and to change such rate (s) whenever warranted by prevailing economic and social conditions.

"In the case of assignment of credit or the buying of installment papers, accounts receivable and other evidences of indebtedness by financing companies, the purchase discount, exclusive of interest and other charges, shall be limited to fourteen per cent (14%), or such percentage as may be prescribed by the Monetary Board, of the value of the credit assigned or the value of the installment papers, accounts receivable and other evidences of indebtedness purchased based on a period of twelve months or less, and to one and one-sixth per cent (1-1/6%), or such percentage as may be prescribed by the Monetary Board, for each additional month or fraction thereof in excess of twelve months, regardless of the terms and conditions of the assignment or purchase.

"In the case of assignment of credit or the buying of installment papers, accounts receivable, and other evidences of indebtedness pertaining to appliances, furniture, and office equipment, the purchase discount, exclusive of interest charges shall be limited to eighteen per cent (18%), or such percentage as may be prescribed by the Monetary Board, of the value at maturity of the credit assigned or receivable purchased, based on a period of twelve months or less, and to one and one-half per cent (1-1/2%), or such percentage as may be prescribed by the Monetary Board, for each additional month or fraction thereof in excess of twelve months, regardless of the terms and conditions of the assignment or purchase.

"In case of factoring of accounts receivables or other evidences of indebtedness, the discounting rate that can be charged, exclusive of interest and other charges shall be limited to two percent (2%), or such percentage as may be prescribed by the Monetary Board, of the value of the credit assigned or received purchased for every thirty (30) days, he terms and conditions of the factoring agreement."

SEC. 2. This Decree shall take effect immediately.

DONE in the City of Manila, this 11th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

PRESIDENTIAL DECREE NO. 1463

REVISING PRESIDENTIAL DECREE NO. 189, DATED MAY 11, 1973, AS AMENDED, CREATING THE DEPARTMENT OF TOURISM.

I, FERDINAND, E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree the revision of Presidential Decree No. 189, dated May 11, 1973, as amended, the charter creating the Department of Tourism, which shall henceforth read in its entirety as follows:

SECTION 1. *Short Title.* — This Decree shall be known as the Revised Charter of the Department of Tourism.

SEC. 2. *Declaration of Policy.* — It is hereby declared to be the policy of the Government to make the tourist industry a positive instrument towards accelerated national development through which more people from other lands may visit and better appreciate the Philippines and through which the Filipino themselves may learn more about the natural beauty, history and culture of their country and thus develop greater pride in and commitment to the nation.

SEC. 3. *Creating of a Department of Tourism.* — There is hereby created a Department of Tourism, hereinafter referred to as the Department, which shall be the primary policy, planning, programming, coordinating and administrative entity of the executive branch of government in the development of the tourist industry, both domestic and international.

SEC. 4. *Powers and Functions.* — The Department shall have the following powers and functions:

- a. Administer, coordinate and supervise all activities of the government which concern tourism;
- b. Effect the removal of unnecessary barriers to travel, the integration and simplification of travel regulations as well as their efficient, fair and courteous enforcement to as sure expeditious and hospitable reception of all tourists and travelers;
- c. Formulate an integrated program of promotion and publicity designed to attract and induce people abroad to visit the Philippines, and patronize things Philippine and to enhance the prestige of the Filipino people and the Republic;
- d. Represent the Government in all such conferences and meetings concerning tourism and travel, and discharge

such responsibilities of Government as may arise from treaties, agreements, and other commitments on tourism and travel to which it is a signatory;

- e. License, classify, regulate and/or supervise the operation of all persons, businesses, establishments, facilities and services that cater to, or have anything to do with travelers and tourists, such as travel agencies, travel agents/ solicitors, tour operators, tour guides, hotels, resorts, apartment-hotels, (APARTELS) tourist inns, motels, pension houses, lodging houses and other similar lodging establishments, all tourist transport operators, private membership clubs/clubhouses and recreational complexes with room accommodations offering such services to the public, schools and training centers offering tourism-related courses, and such other tourism-oriented business/establishments/facilities/services as may be determined by the department.
- f. Formulate suitable standards to ensure that the highest possible standards are met, reasonable fees and charges are made and that services are given with honesty, courtesy and efficiency;
- g. Prescribe and enforce compliance with such circulars, rules and regulations as may be necessary to implement the provisions and intent of this Decree;
- h. Conduct investigation, hearing and inquiry and provide for and grant administrative reliefs in all proper cases upon all matters relating to the administration and enforcement of the provisions of this Decree and/or the rules and regulations or circulars adopted by it to implement and enforce the objectives and intent thereof;
- i. Have access to the records and the premises of any business establishment, facility or service falling under the regulatory jurisdiction of the department and the right to copy therefrom, to question any employee and investigate any fact, condition or matter which may be necessary or be of aid in the proper administration and enforcement of this Decree and of any circular, rule and regulation issued by the department;
- j. After notice and hearing, impose administrative fines not exceeding P10,000.00, suspend or revoke the license, permit, registration or accreditation of any persons, or entity subject to its regulatory jurisdiction, confiscate bonds and order its disposition, for failure to comply with or for violation of any of the provisions of this Decree, the rules and regulations, circulars, orders, decisions or

rulings of the department; to suspend or remove any officials/employee of any regulated establishment for failure to comply with or for violation of any provisions of this Decree, the rules and regulations, circulars, orders, decisions, rulings issued by the department;

- k. Issue summons, subpoena and subpoena duces tecum to compel the attendance of witness and the production of books, papers and other documents pertinent to the investigation, hearing and inquiry, and to examine those witnesses and such books, papers and other documents as it shall need in relation to any matter being investigated, heard or inquired into;
- l. Punish for contempt of the department, both direct and indirect, by way of imposing fines;
- m. Enlist the aid, assistance and support of any and all government agencies, civil or military, in the implementation of the provisions of this Decree or the department's rules and regulations, circulars, and enforcement of orders and/or decisions;
- n. Perform such other functions as may be provided by law.

SEC. 5. *Organization of the Department.* -- The Department shall be composed of a Department Proper and two(2) bureaus, namely: the Bureau of Tourism Promotion and the Bureau of Tourism Services.

The department proper shall include the office of the Secretary, the Planning Service, Financial and Management Service, Administrative Service, legal Service and such other offices or divisions that the Secretary is hereby authorized to create to carry out the functions and objectives of the department.

SEC. 6. *Authority and Responsibility.* -- The authority and responsibility for the powers and the discharge of the functions of the Department shall be vested in a Secretary of Tourism, hereinafter referred to as the Secretary. The Secretary shall be assisted by one Undersecretary.

SEC. 7. *The Office of the Secretary.* -- The Office of the Secretary shall consist of the Secretary of Tourism, the Undersecretary of Tourism and the personnel in their immediate office. It shall be responsible for the formulation, adoption and promulgation of rules and regulations and circulars necessary to carry out departmental policies and objectives, and for exercising direct control and immediate supervisions over the offices, services and bureaus of the department.

SEC. 8. *Functions of the Secretary.* — The Secretary shall have the following functions:

- a. Establish the internal organization of the department, its bureau and offices to achieve its functions and objectives;
- b. Advise the President in the promulgation of executive orders, regulations, and decrees relative to matters falling under the jurisdiction of the department;
- c. Establish the policies and standards for the operation of the department pursuant to the President's program of government;
- d. Promulgate rules and regulations necessary to carry out the department objectives, policies and functions;
- e. Exercise supervision and control over all bureaus and offices under the department;
- f. Delegate authority for the performance of any function to officers and employees under his directions; and
- g. Perform such other functions as may be provided by law.

SEC. 9. *Functions of the Undersecretary of Tourism.* — The undersecretary shall have the following functions:

- a. Advise and assist the Secretary in the planning, supervision and coordination of all technical, administrative, financial and management, and related functions of the department;
- b. Determine the administrative needs and requirements of all bureaus and offices under the department;
- c. Advise and assist the Secretary in the formulation and implementation of department objectives and policies in all matters relating to his area of responsibility;
- d. Subject to the policy guidelines established and prescribed by the Secretary, administer the day to day activities, coordinate the programs and policies and assume over all responsibility for the efficient and economical operation of entities under his jurisdiction;
- e. Subject to the policy guidelines established and prescribed by the Secretary, exercise supervision over all activities in the department relating to the planning, development, promotion and marketing aspects of the functions and powers of the department under this Decree; and

- f. Perform such other functions and discharge such other powers as may be provided by law or delegated by the Secretary pursuant to a Department Order.

SEC. 10. *Functions of the Bureau of Tourism Promotion.*—The Bureau of Tourism Promotion shall organize and support a program of public relations, advertising, promotion and publicity calculated to inform, interest, attract and encourage both domestic and foreign tourism in the Philippines; and shall perform such other functions as may be assigned/delegated to it by the Secretary.

SEC. 11. *Creation of Divisions and Offices.*—With the approval of the Secretary, the Director of the Bureau of Tourism Promotion is hereby authorized to create such divisions and offices as he may deem necessary to carry out the powers and duties of the bureau and for the proper and efficient operation of its business.

SEC. 12. *Functions of the Bureau of Tourism Services.*—The Bureau of Tourism Services shall provide information, reception, facilitation, security and investigation services to tourists; license, regulate, classify and inspect all tourism-oriented establishments; hear and resolve administrative cases within its jurisdiction; conduct training courses and programs for those involved with the Tourism Industry; and shall perform such other functions as may be assigned/delegated to it by the Secretary.

SEC. 13. *Creation of Divisions and Offices.*—With the approval of the Secretary, the Director of the Bureau of Tourism Services is hereby authorized to create such divisions and offices as he may deem necessary to carry out the powers and duties of the Bureau and for the proper and efficient operation of its business.

SEC. 14. *Functions of the Planning Service.*—The Planning Service shall provide the department with economical, efficient and effective services relating to planning, programming and project development, including the formulation of immediate and long range plans and programs for tourism development and their priorities as may be warranted by domestic and international developments; and shall perform such other functions as may be assigned/delegated to it by the Secretary.

SEC. 15. *Functions of the Financial and Management Service.*The Financial and Management Service shall provide the department with staff advice and assistance on budgetary, finance and management improvement matters; and shall perform such other functions as may be assigned/delegated to it by the Secretary.

SEC. 16. *Functions of the Administrative Service.*—The Administrative Service shall provide the department with economical, efficient, and effective services, relating to personnel information,

records, communications, supplies equipment, collections, disbursements, security and other custodial work; and shall perform such other functions as may be assigned/delegated to it by the Secretary.

SEC. 17. *Functions of the Legal Service.* — The Legal Service shall provide legal advice, service, assistance and support to the Secretary and Undersecretary and all the offices services and bureaus under the department on all legal matters affecting the department; and shall perform such other function as may be assigned/delegated to it by the Secretary.

SEC. 18. *Attached Agencies.* — The following agencies are hereby attached to the department for purposes of policy coordination and integration of programs:

1. The Civil Aeronautics Board, which shall continue to be governed by laws pertinent to its functions and powers when not inconsistent with the provisions of this Decree.
2. The Philippines Tourism Authority, which shall continue to be governed by the provisions of existing laws.
3. The Philippine Convention Bureau, which shall continue to be governed by the provisions of existing laws when not inconsistent with the provisions of this Decree.

SEC. 19. *Penalties.* —

- a. Violation by a license or holder of Authority. — Any person, whether natural or juridical, licensed, registered, accredited or permitted by the department to engage in a tourism-oriented establishment, facility or service, who shall violate or cause another to violate any of the provisions of this Decree or the rules and regulations or circulars adopted and promulgated by the department shall, upon conviction by a competent court, suffer the penalty of imprisonment of not less than six (6) months nor more than two(2) years or fine of not less than Two Thousand Pesos (P2,000.00) nor more than Ten Thousand Pesos (P10,000.00), or both, at the discretion of the court. In addition thereto, any license, registration, accreditation, permit or authority which may have been issued by the department shall be deemed automatically withdrawn and revoked and the cash/surety bonds of the offender shall be forfeited in favor of the department.
- b. Violation by a Non-Holder of Authority. - Any person who is not a holder of a license, accreditation, permit or any other authority from the department who shall violate or cause another to violate any of the provisions

of this Decree or the rules and regulations of circulars promulgated by the department shall, upon conviction of a competent court suffer the penalty of imprisonment of not less than one (1) year nor more than six (6) years or fine of not less than Four Thousand Pesos (P4,000.00) nor more than Twenty Thousand Pesos (P20,000.00), or both, at the discretion of the court.

- c. Penalty imposed upon Officers of Juridicial Persons. — If the offender is a corporation, partnership, firm or association, the penalty shall be imposed upon the officer or officers who may have been responsible for the violation; and if such officer or officers is an alien, he/they shall, in addition, be deported without further proceedings on the part of the Commission on Immigration and Deportation.

SEC. 20. *Separability Clause.* — The provisions of this Decree are hereby declared to be separable, and in the event any one or more of such provisions are held unconstitutional, they shall not affect the validity of other provisions.

SEC. 21. *Repealing Clause.* — All provisions of Presidential Decree No. 189 and all amendments thereto, inconsistent with the provisions of this Decree are hereby repealed or modified including General Orders, Letters of Instruction, Rules and Regulations, Executive Orders that are inconsistent or contrary to the provisions of this Decree are hereby repealed or modified accordingly.

SEC. 22. *Effectivity.* — This Decree shall take effect immediately.

Done in the City of Manila, this 11th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

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PRESIDENTIAL DECREE NO. 1483

AUTHORIZING THE IMPORTATION OF FOREIGN CIGAR
LEAF TOBACCO FOR BLENDING PURPOSES.

WHEREAS, Filipino exporters of cigars have failed to reach the 200,000,000 volume of prewar days;

WHEREAS, this failure has been attributed to the change in customers' taste in cigars from one made of purely local cigar leaf to one blended with imported tobacco varieties;

WHEREAS, there is need to encourage the growth of cigar export considering that the industry provides employment opportunities to a large segment of our population and foreign exchange earnings to the country;

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 the following:

SECTION 1. The importation of foreign cigar leaf tobacco for the purpose of blending with local cigar leaf tobacco to improve the quality locally made cigars for export is hereby authorized: *Provided*, That the total importation for any one year shall not exceed one hundred thousand (100,000) kilograms unless the export market conditions require otherwise: *Provided further*, That the authority to import shall be granted only to bonafide cigar manufacturers exporters at least sixty percent (60%) of the capital stock of which is owned by Filipinos and bonafide cigar manufacturing-exporting companies existing at the time of the promulgation of this Decree.

SEC. 2. The Philippine Tobacco Board shall promulgate the necessary rules and regulations to implement and effectively carry out the provisions of this Decree.

SEC. 3. An inter-agency Committee to be created by the Philippine Tobacco Board shall enforce this Decree and its implementing rules and regulations. The said Committee shall be composed of the Chairman-General Manager of the Philippine Tobacco Administration as Chairman and a representative each of the Bureau of Foreign Trade and of the tobacco manufacturing-exporting sector as Members.

SEC. 4. Any person violating any provision of this Decree or the implementing rules and regulations promulgated by the Philippine Tobacco Board shall be fined in an amount not less than five thousand pesos nor more than ten thousand pesos or imprisoned for not less than one year nor more than five years, or both, in the discretion of the court. In case the violation is committed by a corporation, the penalties herein provided shall be imposed upon the President or in his absence, upon the Manager or person in charge of the business thereof. Such violations shall *ipso facto* cause the revocation of all privileges, permits and authorization granted to such person under this Decree.

SEC. 5. All existing laws, rules and regulations inconsistent with this Decree are hereby repealed or modified accordingly.

SEC. 6 This Decree shall take effect immediately.

Done in the City of Manila, this 11th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

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PRESIDENTIAL DECREE NO. 1485

FURTHER AMENDING CERTAIN PROVISIONS OF THE NATIONAL GRAINS INDUSTRY DEVELOPMENT ACT

WHEREAS, it is the declared policy of the State to promote the integrated growth and development of the grains industry so as to provide adequate and continuous food supply to the nation and contribute to the national economy;

WHEREAS, to carry out and implement the foregoing policy, Presidential Decree No. 4 dated September 26, 1972 was promulgated making the "Act to Develop the Rice and Corn Industry, Created the National Grains Authority and Provide Funds Therefor" otherwise known as the National Grains Industry Development Act, as part of the law of the land;

WHEREAS, it becomes necessary to adopt various measures calculated to promote zeal and enthusiasm in the production of rice, corn and other grains in order to attain self-sufficiency in such grains, hasten development of virgin and undeveloped lands and to provide more opportunities to small farmers towards their economic well-being;

WHEREAS, the Authority is being hampered by various technicalities and otherwise operational hindrances that diminish the impact of its campaign, and thereby undermine its efforts, to purge the industry of unscrupulous elements;

WHEREAS, recent developments and continuing scientific and technological studies on grains production, processing and marketing have revealed that the foregoing policy will be best attained and thereby facilitate a truly integrated development, planning, programming and implementation by vesting the Authority with supplemen-

tary responsibilities and powers and by amending certain provisions of said Act.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic 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 adopt and make as part of the law of the land the amendments to the aforesaid National Grains Industry Development Act stated hereunder;

SECTION 1. — The heading and introductory paragraph to the aforementioned Act is hereby amended to read as follows:

“PROCLAIMING THE CREATION OF THE NATIONAL GRAINS AUTHORITY AND PROVIDING FUNDS THEREFORE.

“Pursuant to Proclamation No. 1081, dated September 21, 1972, I, FERDINAND E. MARCOS, President of the Republic of the Philippines and Commander-in-Chief of all the Armed Forces, by virtue of the powers vested in me by the Constitution of the Republic of the Philippines, do hereby declare as a law of the land, the creation of the *National Grains Authority* which shall be *under the Office of the President*. The provisions of this Decree are contained herein below.”

SECTION 2. — Section 1 is hereby amended to read as follows:

“Section 1. — Title of the Act. — This law shall be known as the *National Grains Authority Act*.”

SECTION 3. — Section 2 is hereby amended to read as follows:

“Section 2. -- Declaration of Policy. — It shall be the policy of the State to promote the integrated growth and development of the grains industry (rice, corn, wheat, and other grains *and their substitutes such as but not limited to mongo, soybeans and cassava*) so that it can adequately function as in institution conscious of its social responsibilities and capable of providing adequate and continuous food supply to the nation and of contributing of its proper share to national economy.”

SECTION 4. — Section 3, paragraph, b) and f) are hereby amended to read as follows:

“Section 3. — Policy, Goals and Objectives.

b) Provide comprehensive guidance for the development of the industry in all its aspects, delineating and coordinating the respective roles of both government and private sectors and their respective components and earmaking adequate financing from credit *and other* resources to support the program; Provided, however, That credit *and other* resources contemplated in this Act for the development of the grains industry shall be complementary and supplementary to those earmarked under existing laws."

f) Adopt *all other* measures for the grains industry *as may be necessary to achieve the foregoing policy.*"

SECTION 5. — Section 4 is hereby amended to read as follows:

"Section 4. — Policy Implementation. — To execute the foregoing policy, there is hereby created a body corporate *with regulatory and supervisory powers* to be known as the *National Grains Authority*, hereinafter simply referred to as the *Authority*, which shall be governed by a Board of Directors, known as the *National Grains Authority Council*, hereinafter referred to as the Council. The powers and functions of the *Authority* shall be vested in the Council which shall have overall responsibility for formulating and coordinating a comprehensive program for the development of the grains industry. The Council shall be composed of the following:

Chairman:

Secretary of Agriculture

Members:

The Administrator, *National Grains Authority*

The Governor, Central Bank of the Philippines

The President of the Philippine National Bank

The Chairman of the Development Bank of the Philippines

Representative of the Office of the President

The Secretary of the Department of Trade

The Secretary of the Department of Industry

A Representative from the consuming sector

In the absence of the Chairman, the Administrator of the National Grains Authority shall act as the Chairman of the Council.

Within thirty days from the approval of this decree, the President of the Philippines shall constitute the Council.

The representative of the *consuming sector* shall not be less than thirty-five years of age, with sufficient education of proven honesty, integrity and recognized competence. *He* shall

be appointed by the President of the Philippines to hold office for a term of four years unless sooner removed for cause or until *his* successor shall have been appointed and qualified.

The Council shall meet regularly *at least once a month on any date to be determined by the Chairman: Provided, That the Chairman may convene special meetings to discuss any urgent matters needing immediate resolutions. The Council members shall be entitled to per diem of ₱400.00 for each meeting actually attended by them and other remunerations as may be determined by the Council.*

If for any reason a member of the Council, who is a public official, is unable to attend a meeting, he shall be represented therein by the next ranking official or officer of the Office, Agency or organization he represents.

The Council shall adopt rules and regulations to govern its proceedings, call on any government agency or institution for assistance or support, and determine its official location and address.

SECTION 5. — Section 5, subsection (b), paragraph (i) is hereby amended to read as follows:

“(i) Determine the floor price for the grain crop which shall assure the farmer or producer a fair return on his investment; *Provided, That the floor price for the grain crop of any season shall be the total sum of the season's anticipated cost of production per cavan, plus a reasonable mark-up, as determined by the Council; Provided, Further, That whatever agricultural minimum wage may be specified by law shall be included in the computation of the anticipated production cost even for work performed by operators and/or owners of farms; Provided, Further, That the retail prices for milled rice, corn grits, sorghum and other grains and their substitutes and their by-products/end-products shall not be more than the prices set for these items by the Council, Provided, Further, That price ceilings shall be adjusted in direct relation to significant changes in the Consumer Price Index (CPI) periodically prepared by the Central Bank of the Philippines, Provided, Further, That the Authority shall give preference to producers cooperatives in the procurement of grains so as to promote the development of cooperatives and other farmer's associations such as but not limited to Area Marketing Cooperatives, Samahang Nayons, selda, etc., in the country; Provided, Furthermore, That the price support shall cover only such quantity of palay, corn or other grains as was actually produced by the farmer in his own farm and Provided, Finally, That the Authority may, upon authorization by the Office of the President, incur subsidies to be borne by*

the National Government in the implementation of the floor and ceiling prices for rice and corn and other grains and their substitutes and/or their by-products/end products;

SECTION 6. — Section 6 as amended by P.D. No. 699 is hereby further amended to read as follows:

“Section 6. — Administration — Powers, Organization, Management and *Exemptions*. — The Powers, organization, management and exemptions of the *Authority* shall be as follows:

a) Powers — In order to effectively carry out its functions and responsibilities provided in this Act, the *Authority* shall have the following powers:

(i) To institute the negotiable warehouse, receipt or *quedan* system in palay, corn and other grains not later than two (2) years after the approval of this Act. Pending the institution of said *quedan* system, however, the *Authority* shall implement the price support by procuring grains at the announced floor price in such quantities and in such places as may be necessary: Provided, That no such grains shall be procured unless they are stored in a bonded warehouse under a bond of not less than thirty-three and one-third ($33\frac{1}{3}$) per centum of the value of the stocks of said grains, Provided, However, That in areas where there are no bonded warehouses or adequate space in bonded warehouses, the *Authority* shall start to purchase grains at the beginning of every harvest and for this purpose shall send its men and facilities to the places of harvest where the farmers can directly sell their harvested grains; Provided, Further, That the *Authority* shall take measures in expedite the establishment of bonded warehouses in areas where they are needed but do not exist; Provided, Finally, That such stocks shall be fully insured against loss due to fire.

(ii) To maintain and manage a national buffer stock the quantity and locations of which shall be determined by the *Authority*.

(iii) To own, lease, operate or otherwise hold lands, buildings, equipment and such other immovable properties, as may be necessary to carry out its functions. (As amended by P.D. No. 699)

(iv) To enter into, make, perform and carry out contracts of every class and description necessary or incidental to the realization of its functions with other person, firm or corporation, private or public, *including loans or borrowings by the Authority from domestic or foreign sources*, or initiate

contracts and/or agreements in behalf of the industry between the Philippine Government and any foreign government or institution;

(v) To oversee and *enforce* the provisions of Republic Act Numbered Three Thousand Eighteen;

(vi) To inspect palay, rice, corn, corngrits *and other grains and their substitutes and/or their by-products/end-products* stored by any person, partnerships, corporation or association, for purposes of taking inventory and record of such commodities, and to enter the premises thereof by the use of reasonable means;

(vii) To order the seizure, whenever there is cornering or hoarding, as may be defined by the *Authority of rice and/or corn and/or other grains and their substitutes and/or the by-products/end-products thereof, including facilities and equipments used in said cornering or hoarding*, or whenever there is a scarcity of supply of such commodity in the consumer market and/or an unwarranted increase in the price thereof, of the hoarded commodity and its public sale in such quantity as may be needed to stabilize the supply in the area of scarcity and restore prices to normal levels;

(viii) *To establish and enforce standards in grading, sampling and inspection, test and analysis, specification, nomenclature, units of measurement, code of practice and packaging, conservation and transport for grains and their substitutes and/or their by-products/end-products* and to effect a transition of standards in measurement of grains from volume to weight, and in metric system;

(ix) To coordinate the activities of all government agencies engaged in the study, research and promotion of measures designed *to enhance the integrated growth and development of the grains industry*; and to improve the processing and marketing standards of rice, corn and other grains, such as methods of drying, handling, hauling, storage, milling, packaging, distributing and shipping these grains and their by-products;

(x) To call upon and/or deputize any official of such government agencies as may be necessary to assist the Authority in carrying out its functions;

(xi) To register, license and supervise warehouses, *whether bonded or not*, and mills; and to prescribe, impose and collect fees, charges, and/or surcharges in licensing and regulating warehouses and mills;

(xii) *To establish rules and regulations governing the importation of rice, corn and other grains and their substitutes*

and/or by-products/end-products and to license, impose and collect fees and charges for *said* importation for the purpose of equalizing the selling price of *such* imported grains *and their substitutes and/or their by-products/end products* with the normal prevailing domestic prices.

In the exercise of this power, the Council after consultation with the Office of the President shall first certify to a *shortage of grains and/or their substitutes* that may occur as a result of a short-fall in production, a critical demand-supply gap, a state of calamity or other verified reasons that may warrant the need for importation. *The Authority shall undertake the direct importation of grains and/or their substitutes or it may allocate import quotas among certified and licensed importers, and the distribution thereof through cooperatives and other marketing channels*, at prices to be determined by the Council regardless of existing floor prices *and the subsidy thereof, if any, shall be borne by the National Government*.

(xiii) To establish rules and regulations governing the export of rice, corn and other grains *and/or their substitutes and their by-products/end-products*, and to collect fees and charges for such exportation at rates to be determined by the Council;

In the exercise of this power, the Authority shall directly undertake the exportation of rice, corn and other grains and/or their substitutes and/or by-products/end products whenever there is an excess production and/or supply, or it may allocate export quotas among certified and licensed exporters; Provided, however, That the Council shall first certify to such excess production and/or supply after proper consultation with the Office of the President.

(xiv) To register, license and supervise persons, *natural or juridical, who shall engage or are engaging* in the business of providing goods and services in support of the different activities involved in the production, processing, *transporting*, marketing and trading of *grains and/or their substitutes* and to prescribe, impose and collect fees, charges and/or surcharges in licensing and regulating the operations of such *persons*;

(xv) To register, license and supervise persons, *natural or juridical engaged in the wholesale and/or retail business of rice, corn, other grains and their substitutes and/or their by-products* and to impose and collect fees to be determined by the Council;

(xvi) To register, license and supervise persons, *natural or juridical, engaged in the processing or manufacture of goods where rice or corn or other grains and/or their substitutes*

are used as ingredients in the manufacture of starch, oil and animal feeds and/or other similar commodities and/or their by-products/ end-products in which case it shall impose the nominal fees to be determined by the Council;

(xvii) *To provide for the enforcement of the provisions of this Decree or any Letter of Instruction, General Orders or Rules and Regulations issued or which may hereafter be issued pursuant thereto, or any other Decree, Letter of Instructions, General Order, the implementation and enforcement of which is vested with the Authority, and for violation thereto, to authorize the Administrator or his duly authorized representatives to impose administrative fines and penalties, to conduct investigations and to require by subpoena and/or subpoena duces tecum the attendance and testimony of witnesses, the production of books, papers, documents, exhibits, records, evidence; to administer oath by himself or his duly authorized representative, and to make arrests. Any case of contumacy shall be dealt with in accordance with the provisions of Section five hundred eighty of the Revised Administrative Code. Any fine imposed and collected under this Paragraph shall form part of the Authority's corporate funds:*

(xviii) Whenever the Authority determines that to accomplish its production, processing, marketing and other incidental functions, it is necessary to contract indebtedness, it shall by a resolution, stating the purpose for which the indebtedness is to be incurred and citing the project study designed for the purpose, so declare and authorize the Authority's execution or issuance of, and establish the terms and conditions to be contained in such bonds, loan agreements, other evidences of indebtedness necessary thereof, such resolution shall become valid and effective upon approval by the President of the Philippines and prior recommendation of the Secretary of Finance.

With respect to domestic indebtedness to be incurred by the Authority, the bonds or other evidences of indebtedness issued for the purpose shall contain such terms, conditions, privileges, exemptions and guarantees as are specified below.

(1) Such bonds or other evidences of indebtedness (a) shall be registered from and transferable at the Central Bank of the Philippines, (b) shall not be sold at less than par; (c) shall be payable ten years or more from date of issue, as may be determined by the Secretary of Finance before their issuance, but shall be redeemable, upon the election of the Council, after five years from such date of issue; and (d) shall bear interest at an annual rate to be determined before their issuance by the Secretary of Finance. The interest may be

payable quarterly, semi-annually, or annually, as determined by the Secretary of Finance in consultation with the Monetary Board of the Central Bank of the Philippines before date of issuance, and both the principal and interest shall be payable in legal tender of the Philippines.

(2) The bonds or other evidences of indebtedness shall be exempt from the payment of all taxes by the Republic of the Philippines, or by any authority, branch, division or political sub-division thereof, which fact shall be stated upon their faces; and by virtue of this Decree are hereby made securities in which all public offices, political subdivisions, commercial banks, insurance companies and associations, investment houses, financing companies, savings banks, and savings institutions, including savings and loan associations, executors, administrators, guardians, trustees and fiduciaries in the Philippines may properly and legally invest their own funds or the funds within their control, and the same shall be receivable as collateral in any transaction with the government, its agencies, and instrumentalities, including government-owned or controlled corporations and government banking and financial institutions in which such collateral is required. Said instruments may be made payable both as to principal and interest in Philippine currency or any readily convertible currency;

(3) A sinking fund shall be established by the National Grains Authority in such manner that the total annual contribution thereto, accrued at such rate of interest as may be determined by the Secretary of Finance in consultation with the Monetary Board, shall be sufficient to redeem at maturity the bonds issued under this sub-section. The sinking fund shall be under the custody of the Central Bank of the Philippines, which shall invest the same, subject to the approval of the council and the Secretary of Finance in consultation with the Monetary Board: Provided, that the proceeds thereof shall accrue to the Authority;

(4) The Republic of the Philippines hereby guarantees the payment by the Authority of both the principal and the interests of the bonds or other evidences of indebtedness and shall pay such principal and interest in case the Authority fails to do so; and there are hereby appropriated out of the general funds in the National Treasury not otherwise appropriated the sums necessary to make the payments so guaranteed: Provided, that the sums so paid by the Republic of the Philippines shall be refunded by the Authority: and Provided, that the Authority, to assure such refunding, shall establish reserves or sinking funds and comply with such other restrictions and conditions as the Secretary of Finance may prescribe and establish for that purpose.

With respect to foreign indebtedness to be incurred by the Authority, such may be contracted, in the forms of loans, credits convertible foreign currencies, or other forms of indebtedness, from foreign governments or any international financial institution or fund sources, including foreign private lenders, the total outstanding amount of such indebtedness, exclusive of interest, shall not exceed five hundred million United States dollars (US\$500M) or the equivalent thereof in other currencies. The President of the Philippines, by himself or through his duly authorized representative, is hereby authorized to negotiate and to so contract with foreign governments or any international financial institution or fund source in the name and on behalf of the Authority; and is further authorized to guarantee, absolutely and unconditionally, as primary obligor and not merely as a surety, in the name and on behalf of the Republic of the Philippines, the repayment of any indebtedness thereby contracted and the payment thereon of any due interest charge, up to the limited amount authorized by the foregoing, which shall be over and above the amounts which the President is authorized to guarantee under Republic Act No. 6124, and also to guarantee the performance of all or any of the obligations undertaken by the Authority in the territory of the Republic of the Philippines pursuant to loan agreements entered into pursuant to this paragraph. Any indebtedness contracted under this paragraph and the payment of the principal thereof and of any interest or other charges thereon, as well as the importation of machinery, equipment, materials, supplies and services by the Authority, paid from the proceeds of any such contracted indebtedness, shall also be exempt from all direct and indirect taxes fees, imposts, other charges and restrictions, including import restrictions, by the Republic of the Philippines, or by any authority, branch, division or political subdivision thereof.

Investment in bonds, promissory notes, debentures and other evidences of indebtedness of the Authority acquired by financial institutions, subject to the provisions of Republic Act. No. 6389, as amended, including its implementing regulations, shall be considered sufficient compliance with the requirements of said Act and its implementing regulations.

All funds so acquired and realized by virtue of this power to contract indebtedness, interests and other income incidental thereto and income from other operations, projects or activities of the Authority shall be administered by it except such other funds the administration of which is specifically provided for by other provisions of Presidential Decree No. 4, (As amended by P.D. No. 699).

(xix) To purchase, lease or otherwise acquire lands, whether public or private, for the cultivation and production of rice, corn and other grains;

In the exercise of this power, the Authority shall have the authority to engage and retain any person, firm or corporation, private or public, to render technical services in the development, cultivation or operations of such lands as it may have acquired by purchase, lease, or other means. Moreover, the Authority shall have also the power to effect the advance payment of the stipulated fees. (as amended by P.D. No. 699).

(xx) To sell, lease, mortgage, pledge or otherwise dispose of the property, assets or undertaking of the authority or any part thereof as the Authority may deem fit. (As amended by P.D. No. 699).

(xxi) To adopt, alter, and use a corporate seal which shall be judicially noticed, to sue and be sued; and otherwise to do and perform any and all acts, and to exercise any and all powers as may be necessary to carry into effect the provisions of this Act or as are essential to the proper conduct of its operations. (As amended by P.D. No. 699).

(xxii) In order to immediately implement the programs envisioned in this Decree, an initial sum of ten million pesos (P10,000,000.00) is hereby set aside from the Authority's corporate funds and for this purpose, the Administrator is hereby authorized to dispose the said amount as he may deem fit, subject to the usual accounting and auditing requirements. (As amended by P.D. No. 699).

(xxiii) To promulgate such rules and regulations as may be necessary to carry out the provisions of this Act. Such rules and regulations shall take effect fifteen (15) days following their publication *once* in at least *one* daily newspaper of national circulation.

(xxiv) *To invest its funds or other assets in such undertaking as it may deem wise necessary such as but not limited to investment in any and all kinds of securities, stocks, bonds and other secured collaterals;*

(xxv) *To create and establish subsidiary corporations to undertake the related and integrated business operations of the Authority;*

(b) Organization. — The Authority shall be governed by a Council which shall create and administer, through, an Administrator as hereinafter provided, the necessary staff and line units of the Authority, whose personnel shall be exempt from the rules and regulations of the *Office of the Compensation and Position Classification and whose compensation shall be fixed by the Council.*

(c) **Management.** — The Management of the *Authority* shall be vested in the Administrator who shall be appointed by the President of the Philippines within sixty (60) days from approval of this Act, and who shall direct and manage the affairs of the *Authority*, subject to the supervision of the Council. The Administrator shall hold office for a term of six (6) years, except when earlier removed for cause, or until his successor shall have been appointed and qualified.

There shall be two Deputy Administrators, appointed by the Council, who shall assist the Administrator in the performance of his functions. The Deputy Administrators shall be persons of recognized competence and experience in the production, processing, marketing and trading aspects of grains. Either one of the Deputy Administrators, upon designation by the Administrator, shall perform the duties and exercise the powers and functions of the Administrator in the absence of the latter.

There shall also be Assistant Administrators as the Administrator may deem necessary to assist him in the performance of his functions to supervise and cover functional areas as the Administrator may determine with the consent of the Council.

The administrator shall appoint, remove, suspend or otherwise discipline, with the *confirmation* of the Council, other officers and employees as may be assigned and delegated to him by the Council.

The Administrator and the Deputy Administrators shall be natural-born citizens of the Philippines, not less than thirty-five (35) years of age, of proven honesty and integrity and of recognized managerial competence.

The Assistant Administrators shall be natural-born citizens of the Philippines, not less than thirty (30) years of age, of proven honesty and of recognized managerial competence.

The Administrator shall receive a compensation to be determined by the Council but not less than ninety thousand (P90,000.00) pesos per annum. The Deputy Administrators shall receive a salary to be determined by the Council but not less than sixty thousand (P60,000.00) pesos per annum. The Assistant Administrators shall each receive a salary to be determined by the Council but not less than forty-eight thousand (P48,000.00) pesos per annum.

(d) **Exemptions** — *In furtherance to the effective implementation of the policy enunciated in this decree, the Authority is hereby declared exempt:*

(i) *From payment of all taxes, duties, fees, imposts, charges, costs and restrictions to the Republic of the Philippines, its provinces, cities, municipalities and other agencies*

and instrumentalities, including the taxes, duties, fees, imposts and other charges provided for under the Tariff and Customs Code of the Philippines, R.A. No. 1937, as amended by Presidential Decree No. 34, dated October 27, 1972, and Presidential Decree No. 69 dated November 24, 1972 and all filing, docket, and service fees, bonds and other charges or costs in any court or administrative proceedings in which the Authority may be a party.

(ii) From all income taxes, franchise taxes and realty taxes to be paid to the National Government, its provinces, cities, municipalities and other government agencies and instrumentalities; and

(iii) From all duties, arrastre fees in so far as the government's share is concerned, including all charges and fees imposed under Presidential Decree No. 857, compensating taxes and advance sales taxes, wharfage fees and tonnage dues on import/export of goods required for its operations and projects.

All documents or contracts executed by or in favor of the Authority shall also be exempt from the payment of documentary and science stamp taxes and registration fees: Provided, however, that this exemption shall not apply to taxes and assessments payable by persons or entities transacting business with the Authority.

The Authority shall likewise be exempt from the coverage of Presidential Decree No. 711.

SECTION 7. — Section 7 is hereby amended to read as follows:

“Section 7. — Development and Stabilization Fund. —

There is hereby established the National Grains Authority Development and Stabilization Fund, herein referred to as the “Fund”, for the purpose of financing the growth and development of the industry and the stabilization of the domestic market in grains, to be administered in trust by the Authority, and derived in the manner herein below cited from the following sources:

- (a) An additional tax on rice and corn mills as provided in Section ten of this Act;**
- (b) Stabilization fees which shall be collected from the warehouseman by the Authority on all grains covered by negotiable warehouse receipts or quedans at the rate of ten centavos (P0.10) per cavan of fifty kilograms of grain per month but not to exceed fifty centavos (P0.50) per year;**
- (c) A surtax on corporation as provided in Section eight of this Act;**

- (d) Such borrowings as may be obtained from PL 480, international institutions and other outside foreign agencies;
- (e) Such funds, profits, cash and stocks of the Rice and Corn Administration (RCA) as will be turned over to the *Authority*;
- (f) Fees for licensing bonded warehouses at rates which shall be determined by the Council and collected by the *Authority* per cubic meter bonded capacity;
- (g) Fees, charges and/or surcharges hereby imposed in the issuance of license for importation of rice and corn and other grains *and their substitutes*, to be collected by the *Authority* at the rates which shall be determined by the Council: Provided, That the rate of any surcharge to equalize the wholesale price of imported grain and/or their *substitutes* with the prevailing selling price of the equivalent commercial grain in the domestic market shall be as determined by the Council under subparagraph (xii) of section six of this Act, and
- (h) A tax on the sale, exchange or transfer of real property as provided in Section Nine of this Act.

The taxes, fees, charges, surcharges and other levies aforesated in this section, including surcharges and penalties, if any, shall be turned over to the *Authority* to form part of the Fund. For this purpose, the agencies charged with the collection thereof shall remit their monthly collection to the *Authority* for the account of the Fund within fifteen (15) days of every succeeding month; provided however, That said taxes, fees, charges, surcharges and levies as provided for in this section shall take effect upon instruction of the President to the Council. Failure or refusal by any person to turn over or remit the collections within the period mentioned in this section shall be treated as a serious offense punishable under section twenty-nine of this Act.

In order to enhance the usefulness of the Fund, the *Authority* is hereby authorized to invest the resources thereof and the proceeds or increments arising out of such investments shall form part of the Fund.

The Fund shall be utilized by the *Authority* for funding the requirements of the development of the grains industry starting with the production of grains, *development of post-harvest technology* and the stabilization of supply and prices, including the following:

- a) Procurement of palay, rice, corn and other grains

and/or their substitutes in such quantities and places as may be necessary to stabilize the supply and price thereof;

b) Implementation of price support programs for palay, corn and other grains and/or their substitutes;

The disposition, allocation and utilization of this portion of the Fund for the purpose envisioned in this Act shall be the exclusive prerogative of the Council.

SECTION 8. — Section 14, second paragraph, is hereby amended to read as follows:

“Section 14. — Warehouse Receipts — A negotiable warehouse receipt for rice or corn or other grains shall be printed, serially numbered, on security notepaper, in specific quantity in denominations of 5, 10, 20, 50 or 100 cavans, contain the name and business address of the warehouseman, the variety, classification, moisture content and quality of the grain deposited, the warranties of the warehouseman prescribed by existing laws, and the charges and authorized liens on the stocks in deposit.

SECTION 9. — Section 20, 1st paragraph is hereby amended to read as follows:

“Section 20. — Collateral Acceptable for Loans — For purposes of this Act, loans shall be granted with any or a combination of the following collaterals, namely: (1) real estate property, if available; (2) chattel mortgage on standing crops and/or existing livestock or poultry; (3) stored crops in bonded warehouse; (4) the *guarantee* of two co-maker acceptable to the bank: Provided, That in case a farmer is a member of a group or “selda”, the cooperative or “selda” may act as co-maker: and Provided, Further, That in the case of multi-purpose cooperatives no co-maker shall be required: (5) leasehold rights arising from leasehold contracts, subject to the following conditions:

“XXXXXXXXXXXXXXXXXXXXXXXXXXXXX”

SECTION 10. The entire provision of Section 11 is hereby deleted.

SECTION 11. Section 25 is hereby amended to read as follows:

“Section 25. — Funding of the *Authority*. There is hereby appropriated, out of the funds of the National Treasury not otherwise appropriated, the sum of fifteen million pesos for the expenditure of the National Grains *Authority*: Provided, That for the succeeding five *calendar* years following the approval of

this Act, the Authority shall submit to the President of the Philippines a budget of its expenditures for consideration and inclusion in the annual General Appropriation Act. *Provided, Further, That pending the issuance of instructions from the President to the Council for the implementation of Section 7, 8, 9 and 10 of this Act, the Authority shall continue to submit to the President of the Philippines a budget of its expenditures for consideration and inclusion in the annual General Appropriation Act. Provided, Finally, That five years after the implementation of such instructions the Authority shall derive its funds from sources provided by the industry. The proceeds of all other collections made the Authority from levies, fees, charges or surcharges authorized in this Act but not specifically mentioned in Section 7 hereof shall be retained and used by the Authority as a source of funds to finance its annual budgetary requirements.*

SECTION 12. — Section 26-A is hereby inserted as a new provision between 26 and Section 27 and incorporated to read as follows:

“Section 26-A. — The National Grains Authority, successor of the properties, assets, records and unexpended appropriations of the Rice and Corn Administration, is hereby authorized to initiate and/or continue the prosecution of all criminal and civil cases now pending or to be filed based on past transactions of the Rice and Corn Administration, notwithstanding the latter’s abolition. Pursuant to the provisions of the next preceding paragraph on the settlement by the National Government of the outstanding obligations of the Rice and Corn Administration, the liabilities of the Rice and Corn Administration are not transferred to the National Grains Authority and the latter agency: Provided, however, that where the National Grains Authority initiates or pursues any cause of action for the recovery of assets and properties of the Rice and Corn Administration the adverse party may offset and assert against the National Grains Authority any valid claim arising from obligations and liabilities of the Rice and Corn Administration but not exceeding the amount recovered by or awarded to the National Grains Authority from that adverse party.”

SECTION 13. — Section 29, paragraph (b) and (c) are hereby amended to read as follows:

“Section 29. — Offenses and Penalties. — Notwithstanding the provisions of any law or regulations to the contrary, and for purposes of carrying out the provisions of this Act, the following acts or omissions are hereby considered as serious, less serious and light offenses and corresponding penalties therefor are herein prescribed:

(b) **Less Serious Offenses** — Any of the following acts or omissions shall constitute a less serious offense;

(1) Connivance in the concealment of a stock shortage in a grains warehouse;

(2) Knowingly submitting any report containing false information or data;

(3) Misrepresentation in connection with any application for license to do business as grains warehouseman, miller, exporter or importer or trade, manufacture or processor;

(4) Failure or refusal of a warehouseman to allow the inspection or examination of this grains stocks to conceal shortages or to misrepresent the quantity or quality of his grains stocks, including the impending of such inspection and examination by abandonment, absence or otherwise;

(5) Failure or refusal of any government bank or financial institution, without any lawful excuse, to grant a loan applied for by a qualified farmer who meets the conditions for the loan;

(6) Engaging in the business of grains *threshing, shelling, warehousing, milling, exporting, importing, trading, growing and selling of certified seed, manufacturing or processing* without valid license.

The offender shall, upon conviction, be punished by imprisonment of not less than *six (6) months* and one day *nor more than four (4) years*, or by fine of not less than *four thousand pesos (P4,000.00)*, *nor more than eight thousand pesos (P8,000.00)*, or both such fine and imprisonment, at the discretion of the court.

(c) **Light Offenses** — Any of the following acts or omissions shall constitute a light offense:

(1) Issuance by a warehouseman of warehouse receipts showing an aggregate quantity of grains stock in excess of the quantity permissible in his bond coverage:

(2) Issuance by a warehouseman of warehouse Receipts showing an aggregate quantity of grain stocks not covered by fire insurance at full value as required by this Act;

(3) Failure or refusal to give information required by the Authority, provided such failure or refusal does not constitute a higher offense as hereinabove provided;

(4) Non-compliance with the rules, regulations, decisions, orders, circulars or directives lawfully issued by the *Authority*, provided non-compliance does not constitute a higher offense as hereinabove provided;

(5) Fraudulent misrepresentation by the applicant in, or by any other person in connection with, an application for a production loan;

(6) Selling or offering to sell to the *Authority* by any person of palay or corn or other grains other than that directly produced by him as farmer or shared by him as tenant or landlord, knowingly buying such grains by any *Authority* personnel for the *Authority*: connivance by any person in the selling or buying of such grains;

(7) Any other violation of the provision of this Act for which no specific penalty is prescribed and which is not punished under any other existing law.

The offender shall, upon conviction, be punished by imprisonment of not less than *one month* nor more than six (6) months, or by a fine of not less than *one thousand pesos* nor more than *four thousand pesos*, or both such fine and imprisonment at the discretion of the court.

SECTION 14. — Section 30-A is hereby inserted as a new provision between Section 30 and 31 and incorporated to read as follows:

“Section 30-A Separability Clause. If any part, section, or provision of this Act be held invalid or unconstitutional, no other part, section or provision thereof shall be affected thereby.

APPROVED in the City of Manila, this 11th day of June in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JUAN C. TUVERA
Presidential Assistant

PRESIDENTIAL DECREE NO. 1510

RATIFYING THE TAX CONVENTION BETWEEN THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES AND THE GOVERNMENT OF CANADA FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME.

WHEREAS, the tax convention between the Government of the Republic of the Philippines and the Government of Canada had been negotiated and concluded on March 11, 1976;

WHEREAS, the convention provides for the means of the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income;

WHEREAS, the convention encourages the flow of investments, promotion of trade and commercial relations and the flow of technology between the two countries;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President and Prime Minister of the Philippines, by virtue of the power vested in me by the Constitution, do hereby ratify the convention between the Government of the Republic of the Philippines and the Government of Canada for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income.

DONE in the City of Manila, this 11th day of June in the Year of Our Lord Nineteen hundred and seventy eight.

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

By the President:

(SGD.) CESAR VIRATA
Minister of Finance

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PRESIDENTIAL DECREE NO. 1530

INSTITUTING A SYSTEM OF VOLUNTARY CONTRIBUTIONS FOR HOUSING PURPOSES

WHEREAS, a prime concern of the New Society is the quality of human life, which cannot be improved without providing the citizens with sufficient human shelters and structures;

WHEREAS, the Constitution of the Philippines, in its Article II, Section 7, mandates that: "The State shall establish, maintain, and ensure adequate social services in the field of x x x housing x x x to guarantee the enjoyment by the people of decent standard of living;"

WHEREAS, the government has concentrated its efforts in establishing decent human settlements and in uplifting the conditions in our communities;

WHEREAS, up to this time there exist an acute housing shortage which has remained a persistent problem due to the burgeoning population, the absence of adequate house financing, and increasing construction costs, which place satisfactory housing beyond the reach of the masses;

WHEREAS, there is an urgent need to provide massive financing to help solve the housing problem that impedes national development; and

WHEREAS, the difficulties in house financing may be the greatly alleviated by establishing a system of voluntary contributions from government and private employees.

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

SECTION 1. There are hereby created the Home Development Mutual Funds, one for the government employees and the other for private employees.

SEC. 2. The Fund for government employees shall be established and maintained by the contributions of government employees and the National Government to be administered by the Government Service Insurance System (GSIS) separately from all its other funds.

The Home Development Mutual Fund for private employees shall be established and maintained by the contributions of private employees and their respective employers, to be administered by the Social Security System (SSS). With respect to the government and private employees, their contributions shall be on a voluntary basis, based on three per cent (3%) of their basic salaries. The National Government and the employer concerned shall give a counterpart contribution equivalent to the amount collected from their employees.

SEC. 3. An employee who contributes to the Fund in accordance with the rules and regulations to be adopted by the

GSIS or the SSS, shall be considered a member thereof. He shall be a member of good standing if he is up to date in his monthly contributions. The employee's contributions shall earn interest annually at such rate as shall be provided in the implementing rules and regulations of this Decree. In case the financial condition of the Fund warrants, as determined by the GSIS or the SSS, dividends from the surplus profits of the Fund may be distributed annually to members of good standing.

SEC. 4. An employee who is a member of good standing shall be eligible to apply with the Fund for a housing loan, subject to the rules and regulations to be adopted by the GSIS or the SSS.

SEC. 5. The loan shall be secured by a real estate mortgage. The amount of the loan shall be equivalent to eighty per cent (80%) of the appraised value of the collateral, but not to exceed ₱80,000.00, subject to the applicant's paying capacity and such other requirements which may be imposed by the GSIS or the SSS.

SEC. 6. All moneys of the Fund, as are not needed to meet current administrative and operational requirements, shall be invested with due and prudent regard for the liquidity need of the Fund.

SEC. 7. The GSIS or the SSS may contribute to the Fund its lands and the housing units thereon, if any at their appraised values for developmental purposes for resale to qualified employees. All contributions of the GSIS or the SSS shall earn interest on a yearly basis as shall be provided in their respective implementing rules and regulations of this Decree.

SEC. 8. Notwithstanding any provision of existing law, decree, executive or administrative order, rule or regulation to the contrary, the Fund, as well as the interests and dividends received by the members thereof, shall be exempt from the payment of any and all forms of taxes, tariffs and duties, fees, imposts and assessments, and other charges, and no law hereafter enacted shall repeal this provision unless it is provided therein that the same is applicable to the Fund by specifically stating its name.

SEC. 9. The GSIS or the SSS shall advance such amounts necessary for the initial operation of the Fund it respectively administers, which shall also earn interest as provided in Section 7 hereof.

SEC. 10. In case a member of the Fund is separated from the service by reason of retirement, death, disability, resignation or dismissal, he shall cease to be a member of the Fund, provided, however, that he may continue at the option of the GSIS or the SSS to be a member of the Fund, and provided, further, that in any event, if the separated employee has an existing real estate mortgage

loan with the Fund at the time of his separation, the real estate mortgage shall continue to be valid and subsisting until fully liquidated but the member-mortgagor must continue paying monthly contributions based on his last salary received prior to separation.

SEC. 11. In case an employee ceases to be a member of the Fund due to retirement, death, disability and separation from the service, he shall be entitled to a return of his contributions in accordance with the implementing rules and regulations.

SEC. 12. The GSIS or the SSS shall respectively promulgate the necessary rules and regulations to implement this Decree.

SEC. 13. The GSIS or the SSS is hereby authorized to employ such executives and workers as may be necessary for the administration of the Fund and/or for the implementation of the objectives of the Decree. Such executives and workers shall not be subject to the Civil Service Law and the rules and regulations of the Wage and Position Classification Office and section two hundred fifty-nine of the Revised Administrative Code.

SEC. 14. Any provision of law, decree, executive order, rule or regulation in conflict with, or contrary to this Decree or its purposes, is hereby repealed or modified accordingly.

SEC. 15. This Decree shall take effect upon its approval.

DONE in the City of Manila, this 11th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:
(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

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PRESIDENTIAL DECREE NO. 1539

REPEALING SECTIONS NINE AND SECTION TWELVE (C) OF
REPUBLIC ACT NUMBERED THREE THOUSAND SEVEN
HUNDRED SEVENTY-NINE, AS AMENDED, OTHERWISE
KNOWN AS "THE SAVINGS AND LOAN ASSOCIATION
ACT."

WHEREAS, Republic Act No. 3779, as amended, requires that a public hearing be held by the Central Bank for every application to establish a proposed savings and loan association or a branch thereof;

WHEREAS, the rationale behind this requirement was that, at the time of the passage of said Act, savings and loan associations were not under the supervision of the Central Bank and the savings and loan system as a whole had a poor image as a result of unscrupulous operators and organizers of so-called savings and loan associations;

WHEREAS, under the aegis of the Central Bank, the undesirable associations were weeded out and the savings and loan system has, since then, made tremendous progress and has regained the trust and confidence of the public;

WHEREAS, public hearing is not required of other financing institutions under the supervision of the Central Bank; and

WHEREAS, the removal of the requirement of public hearing will be in keeping with the objective of uniformity, simplicity and equality of treatment of banking institutions of the same category;

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:

SECTION 1. Section nine and Subsection (c) of Section twelve of Republic Act No. 3779, as amended, otherwise known as the Savings and Loan Association Act, are hereby repealed.

SEC. 2. This Decree shall take effect immediately.

DONE in the City of Manila, this 11th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

PRESIDENTIAL DECREE NO. 1540

AMENDING SECTION 24 (b) (1) OF THE NATIONAL INTERNAL REVENUE CODE, FOR THE IMPOSITION OF A SPECIAL RATE OF WITHHOLDING TAX FOR RENTAL, LEASE OR CHARTER PAYMENTS FOR FOREIGN OWNED VESSELS UNDER CHARTER OR LEASE TO PHILIPPINE NATIONALS

WHEREAS, it is a declared national policy to encourage the acquisition of vessels by Philippine nationals for coastwise and international traffic;

WHEREAS, chartering of foreign owned ships is one of the means of acquisition with the least impact on foreign exchange and domestic capital;

WHEREAS, it is necessary to adjust the withholding tax on the consideration for the lease and charter payable to foreign entities at a reasonable level from 3.5% to 4.5%;

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 the following as part of the law of the land.

SECTION 1. Section 24 (b) (1) of the National Internal Revenue Code is hereby further amended by the insertion of a subsection which reads as follows:

Subsection (b) (1) (a) — Rentals, lease and charter fees payable to non-resident owners of vessels chartered by Philippine nationals as the term is defined under section 3(c) of Presidential Decree No. 474, and which charter or lease has been duly approved by the Maritime Industry Authority, shall be subject to 4.5% final tax, the return and payment of which shall be in accordance with sections 53 and 54 of the National Internal Revenue Code.

SECTION 2. This Decree shall take effect immediately.

DONE in the City of Manila, this 11th day of June, in the year of Our Lord, Nineteen Hundred and Seventy-Eight.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

PRESIDENTIAL DECREE NO. 1584

**FURTHER AMENDING THE FISCAL INCENTIVES
ADMINISTERED BY THE BOARD OF INVESTMENTS**

WHEREAS, the incentives granted by the Board of Investments under Republic Act. No. 5186, Republic Act No. 6135 and Presidential Decree No. 1159, as amended, are subject to certain limitations in period of availment as well as rates of tax exemptions prescribed therein, or imposed by other laws;

WHEREAS, there are meritorious cases of particular firms/specific industries contributing to the national economy and general welfare for which continuation of incentives beyond the prescribed availment period or higher rates of tax exemptions may be necessary; and

WHEREAS, some incentives may from time to time need to be altered or modified in order to make them more responsive to encourage investments in desirable business activities and to the needs of the economy;

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 the following:

SECTION 1. Section 15 of Republic Act No. 5186 is hereby amended by the addition of subsections "q" and "r", which shall read as follows:

"q. Recommend to the President in meritorious cases, the liberalization of incentives granted by the Board for particular firms or specific industries under Republic Act No. 5186, Republic Act No. 6135, and Presidential Decree No. 1159; the President may in the interest of national socio-economic development, general welfare and/or national security liberalize incentives for such particular firms or specific industries by: (1) extending the period of availment of incentives which may be enjoyed only for a limited period; or (2) increasing the rates of tax exemptions prescribed for enterprises registered with the Board.

"r. Recommend to the President, who, in the interest of general welfare and development, may eliminate, reduce or suspend the enjoyment of any of the tax incentives administered by the Board of Investments provided that such reduction shall not affect firms previously registered or approved by the Board prior to such reduction."

SEC. 2. Section 3 (c) of Republic Act No. 6135 is hereby amended to read as follows:

“Registered Export Trader shall mean any person, corporation or partnership or other entities organized and existing under Philippine laws (1) registered with the Board in accordance with this Act and (2) engaged or proposing to engage in the sale abroad of export products bought by it from one or more export producers.

SEC. 3. Export producers and export traders registered with the Board of Investments shall be automatically registered with the Philippine Export Council for the sales tax incentives granted to export transactions of producers and traders registered with that Council under Presidential Decree No. 1469.

SEC. 4. Any and all laws, decrees, rules and regulations or parts thereof inconsistent herewith are hereby repealed or modified accordingly.

SEC. 5. This Decree shall take effect immediately.

DONE in the City of Manila, this 11th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

LETTERS OF INSTRUCTIONS

MALACANANG
MANILA

LETTER OF INSTRUCTIONS NO. 677

TO: The Secretary of Natural Resources
The Secretary of Finance
The Governor
Central Bank of the Philippines
The Commissioner of Customs

[In connection with the Twelfth International Symposium on Remote Sensing of Environment] which will be held in Manila on 20 to 26 April 1978, the following instructions are hereby issued:

1. Importation of equipment, goods and articles which will be used exclusively in presentations/exhibits to be shown on the occasion of, and connected with, the Twelfth International Symposium on Remote Sensing of Environment shall, upon certification by the Secretary of Natural Resources and recommendation of the Executive Director, National Environmental Protection Council, be exempt from the payment of customs duties, taxes and other assessments: *Provided*, That importation of such equipment, goods and articles is not prohibited under existing laws: *Provided, further*, That such equipment, goods and articles are re-exported within thirty (30) days after termination of the Symposium: *Provided, finally*, That the Secretary of Natural Resources may, in meritorious cases, grant an extension of not exceeding thirty (30) days to effect said re-exportation.
2. In the event that any such imported equipment, goods and articles is sold or otherwise disposed of to any person or entity other than a tax-exempt individual or entity, all customs duties, taxes and other assessments due thereon shall be levied, collected and paid. Disposition, by sale or otherwise, of such equipment, goods and articles shall be made through the Department of Natural Resources.
3. Foreign exhibitors who sell or otherwise dispose of any equipment, goods and article imported pursuant to this Letter of Instructions shall be entitled to repatriate the proceeds of the sale or other disposition, minus customs duties, taxes and other assessment due thereon, at the prevailing rate of exchange: *Provided*, That the amount to be

repatriated, shall not at any time, exceed the ceiling prescribed by the Central Bank.

4. Any person or entity who desires to participate in and/or put up exhibit on the occasion of, and connected with, the Symposium shall register with, and pay the fee to, the Department of Natural Resources. Said fee shall be payable in US dollars which shall, upon termination of the Symposium, be remitted to the Environmental Research Institute of Michigan (ERIM).

Done in the City of Manila, this 6th day of March, in the year of Our Lord, nineteen hundred and seventy-eight.

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

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LETTER OF INSTRUCTIONS NO. 678

TO: The Secretary
Department of Trade

The Chairman
Board of Investments

The Governor
Central Bank of the Philippines

The Director-General
National Economic and Development Authority

The Executive Director
Technology Resource Center

WHEREAS, Presidential Decree No. 1263 amending portions of R.A. 165, otherwise known as the Patent Law, which was promulgated and became effective January 14, 1978 vested upon the Technology Resource Center the power to approve and register voluntary license contracts;

WHEREAS, P.D. No. 1263 is meant to amend the Patent Law and understandably refers to matters involving patents;

WHEREAS, there are at present studios currently being undertaken for a more wholistic approach in the field of transfer of technology;

WHEREAS, pending such overall approach, it seems essential to delineate the proper scope in the implementation of P.D. No. 1263;

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 direct the following measures for the implementation of Presidential Decree No. 1263:

1. The Technology Resource Center shall limit its evaluation of voluntary licensing agreements to those license contracts, agreements, letters of understanding, renewals thereof or any side letters, pertaining to the remittance of royalty for the use of patents registered with the Philippine Patent Office, including secret formulae, processes, technical knowhow and the like pertaining to such patents, which are entered into between residents and non-residents;

2. For purposes of P.D. No. 1263, the following definitions shall be adopted:

- a. "Transfer of Technology" shall refer to the actual inflow from foreign sources of technical know-how, in the form of designs, formulae, blueprints, etc., which are patented in the Philippine Patent Office, including secret formulae, processes and the like pertaining to such patents.
- b. "Services respecting patents" shall refer to technical, marketing, engineering and such other forms of assistance rendered by a foreign firm in connection with the Philippine patented technology it has licensed a resident firm to utilize.
- c. "Royalty" shall refer to payments in the form of a foreign currency which are remitted abroad as compensation for the use of patents or related technical know-how and/or services made available by a non-resident, computation of which is based on the net wholesale price of the articles manufactured or value of services rendered.
- d. "Licensor" shall refer to the foreign firm who is supplying the technology and/or services which are covered by Philippine patents.
- e. "Licensee" shall refer to the resident firm who will avail of the patented technology and/or services related to such patented technology.
- f. "Residents" shall refer to:
 - (i) Citizens of the Philippines, who are not permanent residents of other countries.
 - (ii) Associations, partnerships or corporations including subsidiaries of foreign firms organized under Philippine law.

(iii) Aliens and branches duly licensed to engage in trade or business in the Philippines.

g. "Non-residents" shall refer to all persons, whether natural or juridical, who do not fall under definition of "residents."

3. Within sixty (60) days from the date of signing, a contract shall be filed with the Technology Resource Center (TRC) for approval and registration. The efficacy of a contract filed, approved and registered shall retroact to the date of its execution. A contract filed with the TRC after sixty (60) days from its execution may still be approved and registered, but its efficacy shall take effect with respect to third parties only on the date of its registration.

4. Any person, whether natural or juridical, resident or non-resident, who is a party to a contract or the assignee thereof may file an application with the TRC for the approval and registration of such contract.

5. All existing voluntary licensing agreements involving patents, know-how and services relating to patents registered with the Central Bank of the Philippines and/or the Board of Investments shall remain valid and subsisting. Any renewals thereof which would relate to registered Philippine patent shall however be registered with the TRC.

6. TRC in the processing, evaluation and registration of contracts shall not divulge any technological information concerning the process or products covered by the contracts. This prohibition shall not include information which is in the public domain pursuant to other laws or regulations.

7. Provisions of Central Bank Circular No. 393 pertaining to remittances of royalties on voluntary transfer of technology arrangements shall remain valid and subsisting. However, with reference to new voluntary licensing agreements involving patents and know-how and services related to patents, said contracts shall previously be registered with TRC.

DONE in the City of Manila, this 8th day of March, in the year of our Lord, nineteen hundred and seventy eight.

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

LETTER OF INSTRUCTIONS NO. 681

TO: ALL CONCERNED

SUBJECT: 5 — YEAR INDICATIVE NATIONAL EXPORT
STRATEGY FROM 1978 TO 1982

WHEREAS, under Section 3 of Presidential Decree No. 941, the Philippine Export Council is required to formulate national export strategy, designed to broaden and enhance the export trade of country;

WHEREAS, in formulating the national export strategy the private business sector, through the Philippine Export Council Permanent Committees, has actively participated by drawing up the indicative export strategies for selected priority product groups for a period of five (5) years from 1978 to 1982;

WHEREAS, an Inter-Agency Committee composed of technical representatives of the various government agencies involved in export development and promotion was created to integrate the individual product strategies, into a national export strategy, as well as to align the national export strategy with the five-year Development Plan of the Philippines for 1978 to 1982;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby direct the following:

SECTION 1. The Five (5) Year Indicative National Export Strategy for 1978 to 1982 is hereby approved and adopted.

SECTION 2. All government agencies involved in export development and promotion are instructed to implement the programs and projects identified in the Indicative National Export Strategy in so far as are applicable to them and shall submit periodic reports as may be required by the Philippine Export Council.

SECTION 3. The Philippine Export Council is hereby authorized to promulgate such rules and regulations, circulars and orders necessary to effectively implement the Indicative National Export Strategy.

SECTION 4. The Implementation of the Indicative National Export Strategy shall be monitored and coordinated by the Philippine Export Council, which shall review periodically its effectiveness and make such recommendations and reports to the President of the Philippines as may be necessary.

SECTION 5. Businesses, industries and all concerned in the export sector are hereby enjoined to take cognizance of the strategy herein approved, adopted and promulgated and to align and to coordinate their activities therewith.

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

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

oOo

LETTER OF INSTRUCTIONS NO. 682

To. The Secretary
Department of Finance

WHEREAS, the records show that the grant of tax discounts during the calendar years 1974, 1975, 1976 and 1977 resulted in a bigger percentage of tax collections which redounded to the benefit of the local governments;

WHEREAS, in order to provide due incentives to owners of taxable real property who pay their tax obligations regularly and promptly, it is deemed just and fitting to authorize anew the grant of said tax discounts;

WHEREAS, pursuant to the provisions of Section 41, Presidential Decree No. 464, as amended, the President of the Philippines is authorized to grant such tax discounts if he deems that the public interest so requires;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines do hereby order that:

1. If the basic and additional real property tax, or any quarterly installment thereof, is paid in full within the prescribed period of payment, the taxpayer shall be granted a discount of ten (10%) per cent on tax due;
2. The tax discount herein authorized shall take effect beginning April 1, 1978 for the real property taxes due for the second quarter of Calendar Year 1978, and thereafter up to but not beyond December 31, 1979;
3. The tax discount herein authorized shall apply to all kinds of real property without any tax delinquency;

4. Tax credits shall be given to all property owners who are entitled to the tax discounts herein authorized and have paid the real property taxes due on their properties including the installment for the second quarter for Calendar Year 1978, Provided that the payment for the first quarter for Calendar Year 1978 shall not be discounted.

The Secretary of Finance shall formulate the guidelines, rules and regulations necessary for the proper and effective implementation of this Letter of Instructions.

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

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

oOo

LETTER OF INSTRUCTIONS NO. 684

To: The Secretary, Department of Finance
The Governor, Central Bank of the Philippines
The Commissioner, Bureau of Customs

In line with the policy of the Government to support Philippine Airlines, as our national flag carrier, the ownership and control of which have been reacquired by the Government; to enhance the effectiveness of Philippine Airlines in playing its proper role in tourism, commercial aviation, and national security; to expand and improve the scheduled domestic services of Philippine Airlines; to assure our national flag carrier of a favorable competitive position in the international field; and considering that the achievement of said objectives requires the prompt release from customs custody of aircraft, engines, equipment, spare parts, materials, machinery, and supplies, it is hereby ordered that:

1. The importation of aircraft, engines, equipment, machinery, spare parts, commissary and catering supplies, aviation gas, fuel and oil, whether crude or refined, and such other articles or supplies by and for the use of Philippine Airlines as prescribed under its franchise, as amended, shall be allowed informal entry free of duty and released immediately subject to the presentation, within fifteen (15) days from date of release, of a statement under oath stating:

- (a) That such articles or supplies are not locally available in reasonable quantity, quality, and price; and

- (b) That they are necessary for or incidental to the operation of Philippine Airlines and its other business activities.

2. With respect to the importation by Philippine Airlines of consumable items for its catering and food services, the same shall be transferred directly and immediately to the Customs' bonded warehouse. Philippine Airlines shall be allowed to withdraw the same from the bonded warehouse by requisition slip and such consumable items so withdrawn shall be properly accounted for by presentation of proof of actual use in the airline's operations. All such withdrawals shall be subject to the approval of the Collector of Customs or his duly authorized representative.

3. The following requirements are hereby dispensed with:

- (a) Prior authority and/or indorsement of qualification for tax exemption from the Department of Finance;
- (b) Certification from the Civil Aeronautics Administration that such articles or supplies are not locally available in reasonable quantity, quality, and price, and that they are necessary for or incidental to the proper operation of the scheduled airlines importing the same; and
- (c) Central Bank release certificate.

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

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

oOo

LETTER OF INSTRUCTIONS NO. 692

Amending Letter of Instruction No. 651 Authorizing the Conduct of a National Conference on Countryside Development

To: The Secretary of Agriculture, concurrently Chairman of the Cabinet Coordinating Committee on Integrated Rural Development Projects, and the following member agencies of the CCC-IRDP: Office of the President, Department of Public Works, Department of Agrarian Reform, Department of Local Government and Community Development, Department of Natural Resources, Department of Finance, Department of Public Highways, National Economic and Development Authority.

The Governor of the Central Bank of the Philippines, and the following supporting institutions of the Development Academy of the Philippines, including the President of the DAP: Department of National Defense, Development Bank of the Philippines, Land Bank of the Philippines, Civil Service Commission, Government Service Insurance System, Social Security System.

The Budget Commissioner.

In order to give more time for the organizers and Secretariat to prepare the necessary Program of Activities and to provide it a much wider coverage and national participation, the National Conference on Countryside Development, originally set to convene during the first week of February (05-12 February 1978) is hereby postponed.

The Secretary of Agriculture, who shall be the conference Chairman, is hereby authorized to set the specific date of the conference; Provided however, that all participants to the said conference shall be duly informed by the Chairman.

Done in the City of Manila, this 24th day of May, in the year of Our Lord, nineteen hundred and seventy eight.

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

By the President:

(SGD.) JUAN C. TUVERA
Presidential Assistant

oOo

LETTER OF INSTRUCTIONS NO. 693

To: Department of Agriculture
Central Bank of the Philippines
Philippine Sugar Commission
National Grains Authority

WHEREAS, it has been the declared *policy* of the state to provide the integrated growth and development of food crops to achieve food self-sufficiency;

WHEREAS, in the pursuit of this objective it becomes imperative that all lands destined for agriculture be maximized in its uses;

WHEREAS, to initiate this program agricultural land presently devoted for sugar provides good basis and opportunity for multiple-cropping of peanuts and mongo with sugarcane;

WHEREAS, the program is envisioned to generate not only greater food production but also better employment opportunities and additional sources of income.

NOW, THEREFORE, in order to implement this declared policy, I hereby direct and order the following government agencies:

1. The Department of Agriculture shall see to it that technical assistance, continuous and immediate supply and availability of seeds be provided;
2. The Central Bank of the Philippines shall plan, formulate, adopt and implement financing program tapping fully the entire banking system;
3. The Philippine Sugar Commission shall identify and recommend sugar areas that can participate in this program with the concurrence of the Department of Agriculture and its duly authorized representative or agency;
4. The National Grains Authority shall provide the support price and assistance in the marketing phases;
5. The inter-government agencies of the Department of Agriculture and the National Grains Authority, shall undertake studies to determine the support price of peanuts;
6. To ensure the success of this program all national, provincial and municipal agencies of the government are hereby directed to extend their facilities and assistance in its implementation.

Done in the City of Manila, this 24th day of May, in the year of Our Lord, nineteen hundred and seventy-eight.

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

oOo

LETTER OF INSTRUCTIONS NO. 694

To: The Governor, Central Bank of the Philippines
The President, Land Bank of the Philippines
The Administrator, National Grains Authority
All Concerned

WHEREAS, it is the *Policy of the State* to Promote the Integrated Growth and Development of the Grains Industry to insure adequate and continuous Food Supply to the Nation;

WHEREAS, consonant to the foregoing Policy, and as a result of the sustained efforts of the government in infrastructure, irrigation, advances in Grains Technology, including financing all geared towards increased production in palay and corn, and other feed grains as envisioned under Presidential Decree No. 1212 dated October 12, 1977, all of which resulted in the continued abundance of these staple commodities;

WHEREAS, in order to maintain support prices of these commodities and to enable the government to procure and control stocks of grains in such quantities and in location as may be needed to maintain the floor prices or manage a buffer stock to stabilize the consumers' price, it has become imperative that additional financing be extended to the National Grains Authority; and

WHEREAS, there is likewise an urgent need to facilitate Government efforts in the procurement and distribution of cereals in some far flung areas of the country, but these efforts are sometimes hampered by the inadequacy of government banking facilities to act as depository/disbursing arm of Government Funds in these areas.

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 that:

1. The Land Bank of the Philippines shall extend in favor of the National Grains Authority a credit line in the amount of ₱200 M to serve as a standby credit line to be utilized when and as the need therefor arises.
2. The Central Bank of the Philippines shall support the Land Bank of the Philippines in this credit line within existing ceiling;
3. That, likewise, as an exception to Central Bank Circular No. 481 dated September 24, 1975, The National Grains Authority may, at its option, utilize private commercial banks and/or Rural Banks as depository/disbursing arm for its cereal collections and procurement funds, subject to the approval of the Central Bank.
4. The Institutions concerned shall adopt such measures as may be necessary and appropriate to implement and achieve the objectives of these instructions.

All Provisions of other Letters of Instructions inconsistent with this order are hereby repealed or modified accordingly.

This Letter of Instructions shall take effect immediately.

Done in the City of Manila, this 24th day of May, in the year of Our Lord nineteen hundred and seventy-eight.

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

oOo

LETTER OF INSTRUCTIONS NO. 731

To: All Regional Development Councils
The Director-General
National Economic & Development Authority

In the Planning of development programs for the various regions, it is desirable that the views of the political leaders within each region be heard and taken into consideration by the Regional Development Councils and the National Economic and Development Authority.

The Interim Batasang Pambansa is scheduled to go on a twenty-day recess beginning August 19, 1978. This break in the legislative session will provide the members of the Interim Batasang Pambansa an opportunity to spend time with their constituents and consult with them on possible developmental programs that will benefit their respective regions, particularly in connection with the Infrastructure Program for 1979.

The Regional Development Councils are hereby directed to meet during this recess of the Batasang Pambansa and invite members of the interim legislative body within the region to propose such projects and programs as they may consider beneficial to the region. The Batasang Pambansa members so invited are entitled to participate in the deliberations of the Regional Development Councils but may not vote on matters raised for decision.

The *Director-General* of the National Economic and Development Authority shall consider programs proposed by Batasang Pambansa members as endorsed by the Regional Development Councils subject to the approval of the President and Prime Minister.

Done in the City of Manila, this 14th day of August, in the year of Our Lord, nineteen hundred and seventy-eight.

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

LETTER OF INSTRUCTIONS NO. 767

DIRECTING THE IMPROVEMENT OF BUDGET EXECUTION AND CASH OPERATIONS IN THE NATIONAL GOVERN- MENT

TO: The Minister of the Budget
The Minister of Finance
The Acting Chairman, Commission on Audit
The National Treasurer

WHEREAS, the regionalization of National Government Offices is a basic principle of the New Society;

WHEREAS, experience has indicated the need for *rationalizing* fiscal procedure pertaining to budget and cash management in regional units of government agencies;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, do hereby Order and Instruct:

1. The Minister of the Budget shall evaluate the fiscal procedure individually adopted by the various Ministries/bureaus /Offices/Agencies of the national government, particularly those concerning the sub-allotment to Regional Offices of obligational authority and cash disbursement ceilings, and the monitoring procedure covering the utilization of funds at regional levels. On the basis of his findings, the Minister of the Budget shall design a uniform system, including guidelines, procedures and forms, which will be adopted by all agencies and their regional offices as part of the execution and accountability phases of regional budgeting.

2. The Minister of the Budget shall review the organization and staffing of agency budget and accounting offices, with the following aims:

- a. To assess their adequacy at regional levels;
- b. to establish the optimal degree of authority delegation of budget and accounting functions from Central to Regional Offices.

As part of this work, the Minister of the Budget shall conduct a systems study and submit recommendations for organizational/staffing/systems improvements in the budgeting and accounting functions, focusing on the relationship between the Central and Regional Offices of Ministries/Agencies.

3. The Minister of Finance and the National Treasurer shall reassess the existing system of preparing and controlling the issuance of Treasury Warrants, including the Treasury Current Account for

Agencies (TCAA). Improvements shall be instituted so as to achieve the following objectives:

a. Prompt reconciliation of the cash records of Agency Central/Regional Offices and the Treasury;

b. Control over Treasury Warrants issued in order that these are kept within approved cash disbursement ceilings;

4. The Acting Chairman, Commission on Audit, shall institute such measures as may be necessary:

a. To ensure that funds are being utilized by Central/Regional Offices of agencies in accordance with the purposes for which they are released, without diversion to budgetary Programs/Projects/Activities and to objects of expenditure other than those for which the Advice of Allotment or Cash Disbursement Ceiling was issued.

b. To see to it that no unauthorized reserves are being imposed on funds releases, by the Central, Regional or District Offices of agencies, in order that the implementing units obtain the full amount of released funds;

c. To ensure that no Contracts are entered into unless funds are available in the form of obligational authority actually released to the agency by the Ministry of the Budget pursuant to P.D. No. 1177 and that no Treasury Warrants are issued unless authorized by a duly approved Cash Disbursement Ceiling.

5. The Minister of the Budget shall study and recommend on a system of direct releases of funds, both obligational authority and cash disbursements ceilings, to Regional Offices of national government agencies, including schools and hospitals.

6. No Head of Ministry/Bureau/Office/Agency or other official shall enter into a Contract unless funds are available for the purpose, duly certified to by the Chief Accountant as being available from allotments actually released by the Ministry of the Budget. Neither shall private contractors be allowed by any government agency to undertake work "at their own risk." Contracts shall not be considered as final or binding unless a certification of funds availability is issued.

7. The studies and work hereby assigned shall be coordinated by the Advisory Board of the Budget Improvement Project (BIP) and shall, in coordination with each other, be supported by the project in the form of necessary technical and funding support.

DONE this 16th day of November, in the year of Our Lord, nineteen hundred and seventy-eight.

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

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LETTER OF INSTRUCTIONS NO. 769

TO: Laguna Lake Development Authority
Bureau of Fisheries & Aquatic Resources
Ministry of Natural Resources
National Water Resources Council
Office of the Governor, Rizal Province
Office of the Governor, Laguna Province
PC-INP Regional Command 4A

WHEREAS, on October 9, 1978, a *Presidential Directive* was issued to destroy and remove all fishpens in Laguna de Bay without permit or license and to suspend issuance of fishpen permit or license pending clarification of the confused situation currently prevailing;

WHEREAS, in the execution of the order, problem areas were identified that must be clarified;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, do hereby promulgate the following guidelines to be observed in removal and/or restructuring of fishpens in Laguna de Bay:

1. All fishpens without permit, outside of the fishpen belt and /or obstructing navigation shall be removed and destroyed immediately.
2. Oversized fishpens with permit shall be restructured and the excess removed.
3. Permits of fishpens occupying areas outside the fishpens belt or obstructing navigational lane shall be cancelled and the same removed.
4. Owners of fishpens for demolition/restructuring but presently stocked shall be allowed to harvest the stock within ten (10) days upon receipts of notice for demolition/restructuring.
5. Fishpen without permit but registered with LLDA prior to October 12, 1978, (date of receipt of the Presidential Order by LLDA) within the fishpen belt, and with the prescribed size shall be

allowed to legitimate their operations by obtaining the necessary permit.

6. Owners of fishpens identified for demolition/restructuring shall be notified in writing giving the owners ten (10) days from receipt of notice within which to remove the same at his own expense and upon failure to do so the inter-agency task force headed by LLDA mentioned below shall remove the fishpen and the salvaged materials shall be appropriated as compensation for such removal.

7. In all cases, the fishpen owners shall pay the corresponding permit fee to Laguna Lake Development Authority if they have paid the same from 1977 up to the present. Bureau of Fisheries & Aquatic Resources is hereby authorized to collect fishpen fee for 1976 and prior years.

An Inter-Agency Task Force chaired by the Laguna Lake Development Authority with the following as members: Ministry of Natural Resources, National Water Resources Council, Bureau of Fisheries & Aquatic Resources, Rizal Province, Laguna Province and PC-INP Regional Command 4A, is hereby constituted to execute the presidential directive, subject to the guidelines herein set forth. For this purpose, an action plan shall be prepared by the Task Force. Services of the personnel of the agencies involved shall be made available.

Funds for the implementation of the approved Action Plan shall be drawn from the budget of the respective agencies concerned. Periodic reports shall be submitted to the Office of the President until the order is fully carried out.

All heads of Ministries, Bureaus and Offices and Instrumentalities of the government including government owned and/or controlled corporations are hereby enjoined to extend full support and assistance to the Task Force.

This instruction shall take effect immediately.

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

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

LETTER OF INSTRUCTIONS NO. 781

**TO: The Budget Ministry
The National Treasury
The Philippine National Oil Co.**

**SUBJECT: Fund Requirements for the Newly-Created Energy
Supply Base to Service Petroleum and Other Energy-
Related Operations in the Philippines**

- 1. Further to LOI No. 563 directing the Philippine National Oil Company to establish and operate an internationally acceptable Energy Supply Base to service the petroleum and other energy-related operations in the Philippines, the Philippine National Oil Company is likewise directed to expand and upgrade facilities at the present supply base in Mabini, Batangas. To provide adequate logistical support for ongoing and future exploration projects.**
- 2. Accordingly, the Budget Ministry and the National Treasury are hereby directed to provide and release funds to the Philippine National Oil Company amounting to Twenty Million Pesos (₱20,000,000.00) immediately on the date hereof, for said purpose to be disbursed out of the Special Fund created under Section 8 (j) of R. A. 6173 as amended.**
- 3. This letter of Instruction shall take effect immediately.**

**DONE in the City of Manila, this 7th day of December, in the
Year of Our Lord Nineteen Hundred and Seventy-Eight.**

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

LETTER OF INSTRUCTIONS NO. 787

TO: The Minister of the Budget
The Chairman, Iron and Steel Authority
The Commissioner, Bureau of Customs

1. The Minister of the Budget is hereby directed to set aside from the current budget, a government subsidy equivalent to the taxes, duties and fees which will have been collected from the importation by the National Steel Corporation of up to 16,935 MT of tinplates required by the domestic milk industry to process milk (15,000 MT) and by the infant dietetics manufacturers to process dietetic products (1,935 MT) and sell the same in accordance with the socialized pricing scheme of the government for basic commodities as recommended by the NEDA and the Iron and Steel Authority.

2. The above-mentioned subsidies shall be granted to the National Steel Corporation through the Iron and Steel Authority.

3. The importation of the above-mentioned tinplates by the National Steel Corporation shall be under the supervision of the Iron and Steel Authority.

4. The National Steel Corporation may be allowed to distribute the imported tinplates to local milk processors and infant dietetics manufacturers under the supervision of the Iron and Steel Authority.

5. The Chairman of the Iron and Steel Authority shall see to it that the above importations of tinplates shall not be used by local milk processors and infant dietetics manufacturers as a basis for increasing the price of their products considering the cost difference between imported and locally manufactured tinplates.

DONE in the City of Manila, this 22nd day of December, in the year of Our Lord, nineteen hundred and seventy-eight.

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

LETTER OF INSTRUCTIONS NO. 788

TO : All Government Offices Concerned

**SUBJECT: OVERSEAS ECONOMIC COOPERATION FUND
OF JAPAN; EXCEPTIONS**

In the implementation of the project for the procurement of two to three power barges, each barge with a capacity of 32 megawatts, and the inter-island transmission lines, connecting Cebu, Negros and Panay to be funded by Yen loan from the Overseas Economic Cooperation Fund of Japan, Gabriel Y. Itchon, Deputy Minister of Energy and President, National Power Corporation, and Jose U. Jovellanos, Senior Vice President-Engineering, National Power Corporation, are hereby designated as the Implementing Officer and Deputy Implementing Officer, respectively, for this specific project.

This instruction is an exception to Letter of Instructions No. 398.

Done in the City of Manila, this 26th day of December, in the year of Our Lord, nineteen hundred and seventy-eight.

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

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LETTER OF INSTRUCTIONS NO. 793

**To: The Ministry of Energy
The Commissioner of the Budget
The Treasurer of the Philippines
The Chairman, Philippine National Oil Company**

(RELEASE OF P20 MILLION TO THE PHILIPPINE NATIONAL OIL COMPANY FOR THE ACQUISITION OF LIQUEFIED PETROLEUM GAS (LPG) TANKER)

For the purpose of financing the acquisition of an LPG tanker with appropriate spare parts and accessories to serve both as a float-

ing storage vehicle and as a carrier of LPG importation in order to assure the continuous supply of this type of fuel, it is hereby directed that ₱20 Million be released to the Philippine National Oil Company out of the Special Fund created pursuant to Section 8 (j) of Republic Act No. 6173, as amended.

The Philippine National Oil Company is further directed to submit to me a report accounting for the disbursement and use of the amount released to it.

This Letter of Instruction shall take effect immediately.

Done in the City of Manila, this 11th day of January, in the year of Our Lord, nineteen hundred and seventy-nine.

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

oOo

LETTER OF INSTRUCTIONS NO. 794

TO: All Heads of Ministries, Bureaus, Offices
Agencies and Instrumentalities of the
National Government, including Government
Owned or Controlled Corporations

All Concerned

Effective immediately, *all public works* projects and other projects involving civil works of national offices, agencies, and instrumentalities, including government-owned or controlled corporations, costing more than ₱300,000 each, shall be advertised for public bidding and the contract therefor awarded to the bidder submitting the lowest complying bid.

Projects costing more than ₱300,000 shall be undertaken by administration of the agency concerned or through negotiated contract only in cases of urgent necessity and in times of emergency arising from natural calamities where immediate action is necessary to prevent imminent loss of life or property, subject to the approval of the Head of the Ministry concerned if the project cost is less than ₱1,000,000 and of the President of the Philippines, upon recom-

mendation of the Ministry Head concerned if the project cost is ₱1,000,000 or more. Expenditure on projects undertaken by administration shall not exceed the amount covered by the approved Program of Work in accordance with Section 3 of Presidential Decree No. 1342 and the amount of the negotiated contract shall not exceed the approved government estimate.

In no case shall a contract be awarded nor works started without the necessary funds released for the purpose.

The agencies concerned shall continue to undertake by administration projects costing ₱300,000 or less each in accordance with Section 10 of Presidential Decree No. 1342.

All concerned are directed to desist from splitting projects into smaller components in order not to defeat the purpose of this instruction.

This supersedes all Letters of Instruction, orders, directives, circulars and rules and regulations inconsistent herewith.

DONE in the City of Manila, this 19th day of January, in the year of Our Lord, nineteen hundred and seventy-nine.

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

CENTRAL BANK CIRCULARS AND MEMORANDA

BANGKO SENTRAL NG PILIPINAS
(Central Bank of the Philippines)
Maynila, Pilipinas

CIRCULAR NO. 591
January 18, 1978

REGULATIONS ON INTERLOCKING DIRECTORATES AND OFFICERSHIPS IN BANKS AND NON-BANK FINANCIAL INTERMEDIARIES

The Monetary Board, in its Resolution No. 23 dated January 6, 1978, approved the following regulations governing interlocking directorates and officerships between banks and non-bank financial inter-mediaries (other than bank-to-bank relationships):

1. Except as may be authorized by the Monetary Board, no person shall concurrently be a director and/or officer of two or more financial intermediaries performing quasi-banking functions, or a director and/or officer of a bank and an investment house: *Provided, however,* That in no event shall a person be concurrently an officer of two or more financial intermediaries performing quasi-banking functions, or an officer of a bank without quasi-banking functions and a non-bank financial intermediary performing quasi-banking functions: *Provided, further,* That the foregoing prohibitions shall not apply to persons appointed to such positions as representatives of the Government or government-owned or controlled entities.

2. Directors or officers for this purpose shall be those as defined in Circulars No. 356 and 556: *Provided,* That members of a sub-body, group or committee, except those of sub-bodies, groups or committees, the functions of which are purely recommendatory or advisory, shall be subject to this Circular as officers: and *Provided, further,* That for purposes of the prohibition against interlocks among directors, a husband and his wife shall be considered as one person.

3. Incumbent directors and officers as of the date of approval of this Circular who are disqualified herein shall be allowed to serve until the end of their term of office or one year, whichever is shorter.

4. Any person or entity violating the provisions of this Circular shall be subject to the penalties provided in Section 34 of Republic Act No. 265, as amended, and with respect to banking institutions, also Section 34-A of the same Act, without prejudice to the suspension or revocation of the entity's authority to engage in quasi-banking functions.

5. This Circular supersedes Circular No. 378 and all other regulations inconsistent herewith.

6. This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 592
January 18, 1978

INTERLOCKING DIRECTORATES AND OFFICERSHIPS
BETWEEN BANKS AND BETWEEN BANKS AND THEIR
ALLIED UNDERTAKINGS

The Monetary Board, in its Resolution No. 23 dated January 6, 1978, approved the following regulations governing interlocking directorates and officerships between banks and between banks and their allied undertakings:

1. No person shall concurrently be a director and/or officer of two or more banks of the same category: *Provided, however,* That in no event shall a person be concurrently an officer of two or more banks, whether or not belonging to the same category: *Provided, further,* That the foregoing prohibitions shall not apply to persons appointed to such positions as representatives of the Government or government-owned or controlled entities.

2. Except as may be authorized by the Monetary Board, no person shall concurrently be a director and/or officer of a bank and an allied undertaking in which the bank has equity.

3. Directors or officers for this purpose, shall be those as defined in Circular No. 356: *Provided,* That members of a sub-body, group or committee, except those of sub-bodies, groups or committees, the functions of which are purely recommendatory or advisory, shall be subject to this Circular as officers: and *Provided, further,* That for purposes of the prohibition against interlocks among directors, a husband and his wife shall be considered as one person.

4. The category of a bank shall refer to any of the general categories referred to in Section 6-A of Republic Act No. 337, as amended: *Provided,* That for purposes of this Circular, all banks engaged in quasi-banking shall be deemed to belong to one category.

5. Incumbent directors and officers as of the date of approval of this Circular who are disqualified herein shall be allowed to serve until the end of their term of office or one year, whichever, is shorter.

6. Any person or entity violating the provisions of this Circular shall be subject to the penalties provided in Sections 34 and 34-A of Republic Act No. 265, as amended, without prejudice to the suspension or revocation of the entity's authority to engage in quasi-banking functions.

7. This Circular supersedes Memorandum to All Banks-DSE dated December 6, 1960, as amended by Memorandum to All Banks-DSE dated July 24, 1962, Memorandum to All Banks-DSE dated December 17, 1964 and Memorandum to All Banks-DSE dated July 2, 1965, and all other regulations inconsistent herewith.

8. This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 593
January 25, 1978

AMENDING CIRCULAR NO. 552 ON RESERVES
AGAINST DEPOSIT AND DEPOSIT SUBSTITUTE
LIABILITIES OF BANKS

Pursuant to Republic Act No. 265, as amended, and Republic Act No. 337, as amended, the Monetary Board, in its Resolution No. 24 dated January 6, 1978 added the following to the second paragraph of Section 4 of Circular No. 552:

“x x x However, the reserve requirement for borrowings from banks and non-bank financial intermediaries authorized to engage in quasi-banking functions shall be five per cent (5%).”

(SGD.) G.S. LICAROS
Governor

CIRCULAR NO. 594
January 25, 1978

**AMENDING CIRCULAR NO. 553 ON RESERVES
AGAINST DEPOSIT SUBSTITUTES OF
NON-BANK FINANCIAL INTERMEDIARIES
AUTHORIZED TO ENGAGE IN QUASI-BANKING FUNCTIONS**

Pursuant to Republic Act No. 265, as amended, and Republic Act. No. 337, as amended, the Monetary Board, in its Resolution No. 24 dated January 6, 1978 added the following to the first paragraph of Section 1 of Circular No. 553:

“x x x except borrowings from banks and non-bank financial intermediaries authorized to engage in quasi-banking functions which shall be subject to a five per cent (5%) reserve.”

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 595
February 3, 1978

**REVISED POLICY ON INTEREST RATES ON
FOREIGN BORROWINGS**

Pursuant to Monetary Board Resolution No. 193 dated January 27, 1978 prescribing guidelines on interest rates on foreign borrowings, Section 2c of Circular No. 569 is hereby amended to read as follows:

c. Interest

1. For credits guaranteed by domestic financial institutions, interest spreads shall not exceed 1-1/2 per cent over interbank best offered rate or prime rate of the lending country, and for those guaranteed by government financial institutions, interest spreads shall not exceed 1-1/4 per cent.

2. For unguaranteed credits, appropriate interest spreads shall be considered on the basis of prevailing conditions in the international capital market.

3. For credits with fixed interest rates, the same shall not be more than one per cent over the prevailing lending rates of the World Bank and/or Asian Development Bank, or such rates as the Monetary Board shall determine.

The foregoing rates shall be the initial rates and shall be revised from time to time by the Central Bank as circumstances may require.

This circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 596
March 1, 1978

AMENDING FURTHER CIRCULAR NO. 357, AS
AMENDED, ON LOANS/CREDIT ACCOMMODATIONS
TO DIRECTORS, OFFICERS AND STOCKHOLDERS OF
BANKING INSTITUTIONS

The Monetary Board, in its Resolution No. 326 dated February 24, 1978, amended further Circular No. 357, as amended, on loans/credit accommodations to directors, officers and stockholders, their relatives and their related interests, as follows:

SECTION 1. Item 3, Part I of Circular No. 357, as amended, is hereby amended to include the following:

"3. *Transactions Not Covered* — The terms 'loan,' 'borrow,' 'money borrowed' or 'credit accomodations' shall not refer to the following transactions:

x x x x.

(d) The discount of bills of exchange drawn in good faith against actually existing values, and the discount of commercial or business paper actually owned by the person negotiating the same, including but not limited to the acquisition by a domestic bank of export bills from any of its directors, officers, stockholders (including foreign bank stockholders) and their related interest which are drawn in accordance with the terms and conditions of the covering letters of credit; *Provided*, That the transaction shall automatically be subject to the ceilings under Circular No. 357, as amended, once the director, officer or stockholder and/or their related interest who is a party to the transaction becomes directly liable to the bank;

(e) Transactions with a foreign bank which has stockholdings in the local bank where the foreign bank acts as guarantor through the issuance of letters of credit or assignment of a deposit in a currency eligible as part of our international reserves and held in a bank in the Philippines to secure credit accommodations granted to another person or entity: *Provided*, That the foreign bank stockholder shall automatically be subject to the ceilings under Circular No. 357, as amended, in the event that its contingent liability as guarantor becomes a real liability; and

(f) Deposits of a domestic bank with a foreign bank has stockholdings in the domestic bank."

SEC. 2. Item 2, Part III of Circular No. 357, as amended, is hereby further amended to read as follows:

"2. *Exclusions from Aggregate Ceilings* -- The following credit accommodations shall be excluded in determining compliance with the aggregate ceiling defined in items 1(b) and (c) of Part III:

a. Credit accommodations or portions thereof to the extent covered by a hold-out on deposits or covered by cash marginal deposits or secured by evidences of indebtedness of the Republic of the Philippines or of the Central Bank or by other evidences of indebtedness or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;

b. Credit accommodations to a corporation in whose board of directors a director or officer or stockholder of the lending bank sits as a representative of the bank: *Provided*, That the bank representative shall not have any equity interest in the borrower corporation except for the minimum shares required by law, rules and regulations, or the by-laws of the corporation, to qualify a person as director of the corporation: *Provided, however*, That the borrowing corporation is not among those mentioned in Items 4(b)5 and 4(b)6 of Part I of Circular No. 357, as amended."

SEC. 3. This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

CIRCULAR NO. 597

March 1, 1978

AMENDING CIRCULAR NO. 356, AS AMENDED

The Monetary Board, in its Resolution No. 324 dated February 24, 1978, approved the following amendments to Circular No. 356, as amended:

SECTION 1. Item 2.4.1. of Circular No. 356 is hereby amended to read as follows:

"2.4.1 That a direct or indirect obligation of a person with a bank or non-bank financial intermediary performing quasi-banking functions where he is a director or officer, or where he may be elected or appointed to said position, or two or more direct or indirect obligations with banks or non-bank financial intermediaries performing quasi-banking functions other than where he is, or may be elected or appointed, director or officer, under different credit lines/loan contracts, is or are past due for three months or more. Direct or indirect obligations, as used herein, shall include all credit accommodations covered in Circular No. 357, as amended, or Circular No. 575."

SECTION 2. Item 4.1.5 is hereby amended to read as follows:

"4.1.5 Those who are delinquent in the payment of their obligations as defined in Item 2.4.1; and this disqualification shall operate as long as the delinquency persists;"

SECTION 3. Item 4.1.7 is hereby added to the said Circular immediately after Item 4.1.6 to read as follows:

"4.1.7 Persons who have been dismissed for cause from any institution under the regulation or supervision of the Central Bank."

SECTION 4. This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

CIRCULAR NO. 598

March 1, 1978

AMENDING CIRCULAR NO. 556

The Monetary Board, in its Resolution No. 324 dated February 24, 1978, approved the following amendments to Circular No. 556:

SECTION 1. Section 4, Item b of Circular No. 556 is hereby amended to read as follows:

"b. Persons found by the Monetary Board to have wilfully failed or refused to comply with any law, regulation, order or instruction of the Monetary Board or the Governor; or to have committed irregularities; or to have conducted business in an unlawful, unsafe or unsound manner as determined by the Monetary Board in any institution supervised or regulated by the Central Bank;"

SECTION 2. Section 4, Item e of the same Circular is hereby deleted. In lieu thereof the following is adopted:

"e. Persons who have been dismissed for cause from any institution under the regulation or supervision of the Central Bank."

SECTION 3. Section 4, Item g of the same Circular is hereby amended to read as follows:

"g. Persons delinquent in the payment of their obligations: *Provided*, That such delinquency shall operate as a disqualification as long as the delinquency persists. Delinquency, for purposes of this subsection, shall mean that a direct or indirect obligation of a person with a bank or non-bank financial intermediary performing quasi-banking functions where he is a director or officer, or where he may be elected or appointed to said position, or two or more direct or indirect obligations with other banks or non-bank financial intermediaries performing quasi-banking functions, under different credit lines/loan contracts, is or are past due for three (3) months or more. Direct or indirect obligations shall include all credit accommodations covered in Circular No. 357, as amended, or Circular No. 575."

SECTION 4. This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

CIRCULAR NO. 599

March 27, 1978

Pursuant to M.B. Resolution Nos. 1679 and 474 dated October 11, 1966 and March 17, 1978, respectively, Circular No. 28 as revised and amended, is hereby further amended as follows:

1. Sub-section c of section four of Central Bank Circular No. 28, as revised and amended, is hereby amended and designated as sub-section d, and a new sub-section is hereby added to said section four to be designated as sub-section c, both subsection to read as follows:

c. *Treasury Bills* — Transfers of Treasury Bills may be effected by mere delivery, with or without notice to the Central Bank of the Philippines.

d. *Transportation Charges and Risks* —

(1) *On surrender of securities* — If securities are presented for exchange, transfer, or other transactions within the scope of these regulations, delivery thereof must be made to the Securities Servicing Department, Central Bank of the Philippines, at the expense and risk of the owner. In order that an owner, who could not personally present his securities, may be protected against loss, bearer securities should be forwarded by registered mail insured or by express prepaid, and registered securities should be forwarded by registered mail, except that registered securities assigned in blank or bearing assignments for exchange for bearer securities which do not restrict delivery should be forwarded by registered mail insured, or by express prepaid.

(2) *On original issue* — Securities originally issued, whether in registered or bearer form, unless delivered over-the-counter to buyer or his authorized representative, or delivered under special instructions of the buyer, will be delivered by registered mail or by any other means at the risk and expense of the Central Bank of the Philippines until received by the buyer or his authorized representative.

(3) *Registered securities after original issue* — Registered securities to be delivered by the Central Bank after exchange, transfer, or other transactions, unless delivered over-the-counter to the registered owner or his duly authorized representative, will be delivered by registered mail without expenses to, but at the risk of, the registered owner, except that delivery will be made by express collect at the risk and expense of the owner, if written instructions to that effect are given.

(4) *Bearer securities after original issue* — Bearer securities to be delivered by the Central Bank after exchange or other transactions, unless delivered over-the-counter to the owner or his duly authorized representative, or delivered under special instructions of the owner, will be delivered in regular course by the Securities Servicing Department, by registered mail insured at the risk and expense of the owner, except that delivery will be made by express collect, likewise at the risk and expense of the owner, if written instructions to that effect are given.

2. The following new sub-section is hereby added after sub-section b of Section 5 of the same Circular to read as follows:

c. *Treasury Bills* — Treasury Bills may be exchanged at the Central Bank of the Philippines, Manila, at any time before their maturity for an equal amount of Treasury Bills in any authorized denominations of the same issue and series. Specific instructions for the delivery of the new bills issued in exchange must accompany the bills presented for exchange.

3. The following two sub-sections are hereby added after sub-section c of Section 9 of the same Circular to be designated as sub-sections d and e, to read as follows:

d. *Treasury Bills* — Treasury Bills are payable in the regular course of business at or after maturity at the Securities Servicing Department, Central Bank of the Philippines, Manila, or by any of the regional offices of the Central Bank of the Philippines, or at any commercial bank in the Philippines or any of its branches at face value without interest, unless called for redemption before maturity in accordance with their terms, in which case, they will be payable in the regular course of business on the date of call and at prices fixed by the call.

In the absence of any other instructions, payment will be made to the person presenting and surrendering the same.

e. *"Overdue" Securities* — If a bearer security or a registered security assigned in blank, or to bearer or so assigned as to become, in effect, payable to bearer, is presented and surrendered for redemption after it has become overdue, the Central Bank may require satisfactory proof of ownership. For this purpose, a security shall be considered to be overdue after the lapse of the following periods of time from its face maturity:

- (1) Three months for Treasury Bills;
- (2) Six months for Treasury Notes and Certificates of Indebtedness;

Bonds and other securities:

(i) One year for bonds and other securities issued for a term of five years or longer.

(ii) Six months for securities issued for a term of one year or more but less than five years.

(iii) Three months for securities issued for a term of less than one year.

4. Section 10-c-(1)-(e) of the same Circular is hereby amended so that the authorized officers of the Central Bank of the Philippines who may witness assignments should only include the following:

(aa) Directors, Associate and Assistant Directors, Securities Servicing Department;

(bb) Directors, Associate and Assistant Directors of other Departments;

(cc) Coordinating Assistants, Securities Servicing Department; and

(dd) Chiefs and Assistant Chiefs of Divisions, Securities Servicing Department.

5. A new section to be designated as Section 11-A is hereby added after Section 11 of the same Circular to read as follows:

Section 11-A. *Discount Rates and Price Computations on Treasury Bills* — Computation of discount rates on Treasury Bills shall be made on a 360-day "true discount basis" in relation to a fractional part of a year representing the exact number of days a bill is to run and the price so tendered. The formula to determine the purchase price is as follows:

$$PP = \frac{PAR (360)}{360 + (r) (t)}$$

Likewise, the discount rate (yield) shall be determined on the same basis with the purchase price given. The formula to determine the discount rate is as follows:

$$r = \frac{360 (PAR - PP)}{PP (t)} \times 100$$

Legend:

PP — is the purchase price

PAR — is the par value or face value of the bill

r — is the discount rate or yield to maturity expressed in decimals

t — is the number of days to run to maturity

This Circular shall take effect immediately;

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 600
March 27, 1978

AMENDING SECTION 7 OF CIRCULAR NO. 575 ON
CREDIT ACCOMMODATIONS BY NON-BANK
FINANCIAL INTERMEDIARIES PERFORMING QUASI-
BANKING FUNCTIONS TO DIRECTORS, OFFICERS,
STOCKHOLDERS, SUBSIDIARIES AND AFFILIATES

The Monetary Board, in its Resolution No. 421 dated March 10, 1978, approved the amendment of Section 7 of Circular No. 575 on credit accommodations to directors, officers, stockholders, subsidiaries and affiliates, to read as follows:

"Section 7. Aggregate Ceiling for Directors, Stockholders and their Relatives, Relatives of Officers, Subsidiaries and Affiliates; Exclusions. — The outstanding liabilities, real and contingent, to a non-bank financial intermediary performing quasi-banking functions of its directors, stockholders shall not exceed 100% of the combined capital accounts of the lending entity: Provided, however, That the following shall be excluded in determining compliance with the aggregate ceiling:

(a) Credit Accommodations to the extent secured by evidences of indebtedness of the Republic of the Philippines or of the Central Bank or by other evidences or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;

(b) Credit accommodations to a corporation in which only one director or officer of the lender is a director or officer,

for the sole purpose of protecting the credit exposure of the non-bank financial intermediary performing quasi-banking functions, or by reason of his expertise and professional management capabilities in the highly specialized or technical field of borrower's operations. *Provided*, That the representative of such non-bank financial intermediary shall not have any equity interest in the borrowing entity except the minimum shares required by law, rules and regulations, or the by-laws of the corporation to qualify a person as director: *Provided, further*, That the borrowing entity is not:

(1) A corporation more than 15% of the subscribed capital stock of which is held or owned by any or a group of directors, officers, stockholders of the lending entity, and/or their spouses or relatives within the first degree of consanguinity or affinity, or relatives within the same degree by legal adoption;

(2) A corporation wholly or majority-owned or controlled by any or a group of the following entities:

(i) A corporation mentioned under Item (b) (1) and/or

(ii) A partnership in which a director, officer, or stockholder of the lending entity (or his spouse or relative within the first degree of consanguinity or affinity, or relative within the same degree by legal adoption) is a general partner;

(3) A subsidiary, or an affiliate of the lender other than thru director/officer interlock;

(c) Credit accommodations to a corporation in which a director or officer of the non-bank financial intermediary performing quasi-banking functions, or his spouse, is also a director or officer, the securities of which corporation are listed and traded in the big board of domestic stock exchanges and not more than 50% of the subscribed capital thereof is owned by any one person or by persons related to each other within the third degree of consanguinity or affinity;

(d) Credit accommodations to a corporation engaged in a preferred area of investment and registered with the Board of Investments: *Provided*, That the exclusion shall be allowed for a period not exceeding five (5) years from the date of registration of the borrower;

(e) Credit accommodations to a subsidiary or affiliate bank or non-bank financial intermediary performing quasi-banking functions the proceeds of which are used exclusively for liquidity or reserve purposes: *Provided*, That there is

immediate notification to the appropriate department of the Central Bank: *Provided, further,* That the exclusion is subsequently confirmed by the Deputy Governor, in-charge of supervision and examination sector of the Central Bank; and

(f) Savings, time and demand deposits of the non-bank financial intermediary performing quasi-banking functions with a subsidiary or affiliate bank."

This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 601
March 31, 1978

AMENDING FURTHER CIRCULAR NO. 572 AND
THE GUIDELINES ON DOMESTIC BORROWINGS
BY FOREIGN FIRMS

Pursuant to its powers under existing laws, the Monetary Board, in its Resolution No. 523 dated March 31, 1978, approved the following amendments to Circular No. 572 and the accompanying Guidelines, as amended, on domestic borrowings of foreign firms:

SECTION 1. Circular No. 572 is hereby amended by adding the following section after Section 7 thereof:

"SEC. 8. The following sanctions, shall be imposed for violation of Circular No. 572 and the accompanying Guidelines:

"a. Any wilful violation of the provisions of Circular No. 572 shall subject the person or persons responsible for such violation to the penalties provided for by Section 34 of R.A. 265, as amended. If the violation is committed by a bank, the bank officer or employees responsible therefor shall be subject further to the administrative sanctions provided for under Section 34-A of the same Act;

"b. The wilful making of a false statement or any material misrepresentation in the application for certification or in the supporting documents shall be sufficient ground for the disapproval of the application or the revocation of the certification if the same has been issued, without prejudice to the institution of criminal action against the person responsible therefor as

may be warranted under the circumstances. Such false statement or material misrepresentation shall also constitute as a sufficient ground for the denial of subsequent applications for certification filed by the foreign firm concerned; and

“c. Any violation of the terms and conditions of the certification issued by the Inter-Agency Committee shall constitute a sufficient ground for the revocation of the certification and for the denial of subsequent applications for certification filed by the foreign firm concerned.”

SEC. 2. Item 1 of the Guidelines is hereby amended by adding a paragraph after Item 1.5 thereof which shall read as follows:

“1.6 The members of the Inter-Agency Committee may designate their respective alternates or representatives whenever they are unable to attend Committee meetings.”

SEC. 3. Item 5 (e) of the Guidelines is hereby amended to read as follows:

x x x

“e. ‘Assigned capital’ shall refer to that amount specifically denominated as such, which is known to and duly registered with the Central Bank and/or with the Committee in accordance with the conditions and procedures which the Committee may prescribe.”

SEC. 4. Item 6.4 of the Guidelines is hereby amended by adding to the second sentence thereof the following:

“6.4 x x x For this purpose, quarterly financial statements shall be submitted by the firm to the Committee and such other documents as the Committee may deem necessary to monitor the firm’s debt-to-equity ratio.”

SEC. 5. Item 6.5 (e) of the Guidelines is hereby deleted and Item 6.5 (f) is hereby renumbered as Item 6.5 (e).

SEC. 6. This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

CIRCULAR NO. 602

April 17, 1978

**REGULATIONS ON REFINING AND SALE OF
PHILIPPINE-MINED GOLD AND FOR
OTHER PURPOSES**

Pursuant to the provisions of Section 72, Article II of the Central Bank Act, as amended, the Monetary Board in its Resolution No. 579 dated April 14, 1978 promulgated the following rules and regulations:

SECTION 1. Effective immediately, all the primary gold production of Philippine mines shall be delivered by the owner or producer thereof to the Central Bank of the Philippine for refining and thereafter sold to the Bank.

SEC. 2. In the case of mineral concentrates, ores, matte, slime, and precipitates exported abroad for smelting, the gold content thereof, after smelting and refining abroad, shall be sold to the Central Bank and delivered to a Central Bank — designated depository, except as may be otherwise decided by the Central Bank on a case to case basis.

SEC. 3. The purchase of gold by the Central Bank shall be made in Philippine currency at the guiding rate of exchange of the peso the U.S. Dollar based on the price per ounce of gold prevailing in the international market on the date of delivery to the Central Bank, or to the Central Bank-designated depository abroad, of gold in "good delivery bars" of international standard with a minimum fineness at 995, less corresponding changes.

SEC. 4. The Central Bank shall prescribe and collect refining, assaying, storage and other charges.

SEC. 5. The Central Bank may make advance payments to the owner or producer of gold delivered for refining and immediate sale to the Central Bank pursuant to Section 1 hereof, in an amount not exceeding 90% of the value thereof based on the assay of the gold delivered for refining.

The Central Bank may buy any quantity of silver offered for sale by gold producers at the prevailing market price.

SEC. 6. The Central Bank will make available gold for sale for jewelry manufacture and for other industrial uses.

SEC. 7. All rules and regulations heretofore issued by the Central Bank which are consistent herewith are hereby revoked or amended accordingly.

SEC. 8. Any person or entity found violating the provisions of this Circular shall be subject to the penalties provided in Section 34 of Republic Act No. 265, as amended.

SEC. 9. This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 603
April 18, 1978

AMENDING CIRCULAR NO. 355 ON MINIMUM
CAPITAL REQUIRED UNDER SECTIONS 22 AND 30 OF
REPUBLIC ACT NO. 337, AS AMENDED

The Monetary Board in its Resolution No. 451 dated March 17, 1978, approved the following amendment to Circular No. 355:

SECTION 1. Item A.3 of Circular No. 355 is hereby amended to read as follows:

“3. 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: *Provided*, That such evidences of indebtedness or obligations subject of repurchase or resale agreements may be deducted by both the selling/borrowing and buying/lending banks.”

SECTION 2. This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 604
April 18, 1978

AMENDING CIRCULAR NO. 439 ON MINIMUM CAPITAL
REQUIRED FOR NON-BANK FINANCIAL INTERMEDIARIES
WITH QUASI-BANKING FUNCTIONS

The Monetary Board in its Resolution No. 451 dated March 17, 1978, approved the following amendment to Circular No. 439:

SECTION 1. Item A.2 of Circular No.439 is hereby amended to read as follows:

"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: *Provided*, That such evidences of indebtedness or obligations subject or repurchase or resale agreements may be deducted by both the selling/borrowing and buying/lending financial intermediaries."

SECTION 2. This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 605
April 18, 1978

AMENDING CIRCULAR NO. 552 ON RESERVES AGAINST
DEPOSITS AND DEPOSIT SUBSTITUTE LIABILITIES
OF BANKS

The Monetary Board in its Resolution No. 451 dated March 17, 1978, approved the following amendment to Circular No. 552:

SECTION 1. Circular No. 552 is hereby amended by adding a new paragraph after paragraph 4 of Section 4 thereof, to read as follows:

"Only the buying/lending bank in a resale agreement covering eligible government securities may use such securities as reserves against deposit substitute liabilities. Conversely, the selling/borrowing bank in a repurchase agreement covering eligible government securities may not use such securities as reserves against deposit substitute liabilities."

SECTION 2. This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

CIRCULAR NO. 606
April 18, 1978

AMENDING CIRCULAR NO. 553 ON RESERVES AGAINST
DEPOSIT SUBSTITUTES OF NON-BANK FINANCIAL
INTERMEDIARIES AUTHORIZED TO ENGAGE
IN QUASI-BANKING FUNCTIONS

The Monetary Board in its Resolution No. 451 dated March 17, 1978, approved the following amendment to Circular No. 553:

SECTION 1. Circular No. 553 is hereby amended by adding a new section after Section 3 thereof, to read as follows:

"SECTION 3. A. Government Securities Subject of Repurchase or Resale Agreements.

Only the buying/lending non-bank financial intermediary in a resale agreement covering eligible government securities may use such securities as reserves against deposit substitute liabilities. Conversely, the selling/borrowing non-bank financial intermediary in a repurchase agreement covering eligible government securities may not use such securities as reserves against deposit substitute liabilities."

SECTION 2. This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 607
April 19, 1978

GUIDELINES FOR THE SPECIAL LENDING OPERATIONS
OF THE CENTRAL BANK OF THE PHILIPPINES
RELATIVE TO ITS CONSOLIDATED FOREIGN
BORROWINGS PROGRAM AUTHORIZED
UNDER PD NO. 1309

In pursuance of Monetary Board Resolution No. 580 dated April 14, 1978, foreign credits obtained by the Central Bank of the Philippines under its consolidated foreign borrowings program pursuant to PD No. 1309 shall be placed in a separate special fund to be relented and administered in accordance with the following guidelines:

Section 1. *Definition of terms.* — The following words and phrases as used herein shall have the following meanings:

(a) *Banking institutions* — Banks falling under the category of commercial banks pursuant to the General Banking Act, as amended, including the Development Bank of the Philippines and the Land Bank.

(b) *Approved projects* — Projects in priority or preferred areas of investments as determined by the National Economic and Development Authority/Board of Investments, or development projects of government-owned or controlled corporations authorized by their charters or by-law.

(c) *Foreign obligations* — Foreign loans of sub-borrowers/end-user borrowers, duly approved by and registered with the Central Bank.

(d) *Sub-loans* — The loans made by the Central Bank directly to sub-borrowers under Sections 2 and 3 hereof.

(e) *End-user loans* — The loans by sub-borrowers under Sections 2 and 3 hereof to their end-user borrowers out of the proceeds of their sub-loans from the Central Bank.

Section 2. *The National Government.* — Proceeds of the foreign credits may be utilized by the National Government as a sub-borrower for the following purposes:

(a) As the ultimate end-user borrower for the following and analogous purposes:

i. To pay installments on its foreign obligations maturing within one year from date of loan agreement;

ii. To prepay existing foreign obligations obtained at relatively more onerous terms;

iii. To finance government development projects for which financing from official development assistance (ODA) sources cannot be obtained;

iv. To pay installments maturing within one year from date of the sub-loan agreement, of the foreign obligations of the entity or firm under its guaranty, for which the National Government is called upon to pay pursuant to a contract of guaranty.

(b) For relending to its branches, agencies, political subdivisions and government-owned or controlled corporations for the following and analogous purposes:

i. For the purposes enumerated under (a) i, ii and iii of this section;

ii. To finance approved projects.

Section 3. *Banking Institutions* — The Proceeds of the foreign credit may be loaned to banking institutions for the following and analogous purposes:

(a) As the ultimate end-user borrower:

i. For the purposes enumerated under (a) i and ii of Section 2;

ii. To pay installments maturing within one year from date of the sub-loan agreement, of the foreign obligations of its client for which the banking institution is called upon to pay pursuant to a contract of guaranty or standby letter of credit.

(b) For relending to the branches, agencies, political subdivisions of the National Government, government-owned or controlled corporations and the private sector:

i. For the purposes enumerated under (a) i, ii and iii of Section 2 above;

ii. To finance approved projects.

Section 4. *Repayment period*. — Repayment of the sub-loan shall as much as possible be in accord with the repayment terms of the consolidated foreign credits obtained by the Central Bank, such that the final maturity, installments and interest payment dates shall coincide with that of one or more of the consolidated foreign credits of the Central Bank.

Section 5. *Interest rate* — The interest rate to be charged shall be as follows:

(a) By the Central Bank — Not to exceed the spread of 1/8% over the interest rate of the consolidated foreign credit involved;

(b) By the banking institution in its relending operations — Not to exceed its usual and normal rate for guaranty or standby L/C issued as security for the normal foreign credits of its clients.

Section 6. *Commitment fee* — The rate of commitment fee to be charged shall be as follows:

(a) By the Central Bank — The same rate it is liable to pay on its consolidated foreign credits, to be reckoned from date of signing of the covering sub-loan agreement;

(b) By the National Government and banking institutions — The same rate as that charged by the Central Bank.

Section 7. *Management and agency fees* — Management and agency fees and other similar financing charges paid or to be paid by the Central Bank on its consolidated foreign credits shall be charged to the sub-borrowers concerned on a pro-rata basis, without any added costs whatsoever. The National Government and banking institution may likewise charge its end-user borrower for these fees in the same amounts and proportion as that paid to the Central Bank.

Section 8. *Costs and out-of-pocket expenses* — All costs and out-of-pocket expenses incurred by the Central Bank in negotiating and obtaining its consolidated foreign credits shall be assumed by the Central Bank.

However, all other costs, out-of-pocket expenses and any other kind of charges which the Central Bank will later incur or be liable under the covering loan agreement/s of its consolidated foreign credits shall be passed on to the sub-borrower/s responsible therefor, or to all sub-borrowers on a *pro-rata* basis if allocation to specific sub-borrower/s is not warranted.

Section 9. *Currency of relending* — The Central Bank, National Government and banking institutions shall relend the loan proceeds in the same foreign currency as the corresponding foreign credit obtained by the Central Bank which is the source of funds for the sub-loan/enduser loan.

Section 10. *Currency of repayment* — Repayment to the Central Bank by the sub-loan borrowers shall be in Philippine currency, computed as follows:

(a) Principal and accrued interest — The equivalent amount in pesos of the amount of principal and accrued interest due, computed on the basis of the Central Bank spot selling rate of the currency/ies involved at the time of payment to the Central Bank;

(b) Commitment, management, agency fees and any other kind of charges payable by the Central Bank in foreign exchange — The equivalent amount in pesos of the amount due computed on the basis of the Central Bank spot selling rate of the currency/ies involved at the time of repayment to the Central Bank;

(c) Other peso costs, expenses and charges — All costs, expenses and other charges incurred by the Central Bank involving no foreign exchange outlay shall be settled in Philippine currency on a peso-for-peso basis.

Where a back-to-back payment from the end-user client to the sub-borrower then to the Central Bank is involved, the same basis of computation as indicated above shall be adopted by the National Government/banking institution. In the event of default by the end-user client and the National Government/banking institution nevertheless made payment to the Central Bank on time, the same basis of computation as indicated above or some other reasonable and equitable basis may be adopted by the National Government/banking institution in determining the amount due from the end-user borrower upon payment of its overdue account.

Section 11. *Utilization of loan proceeds* -- The proceeds of sub-loans/end-user loans shall be utilized in accordance with the pertinent existing Central Bank policy on foreign credits.

Section 12. *Advance payment* — The sub-borrower shall maintain a current account with the Central Bank where all amounts due from said sub-borrower representing principal and accrued interest shall be deposited at least one (1) banking day before the scheduled due date. This account shall be automatically debited for the amount maturing on scheduled due dates of the sub-loan. The amount of interest due shall not in anyway, be reduced on account of this required advance payment.

Section 13. *Past due accounts*. — All amounts due from the sub-borrower not paid on scheduled due dates or on the date set by the Central Bank shall carry a penalty charge of 1% per month until full payment thereof.

Section 14. *Collateral requirements* — Loans to the National Government shall be extended on clean basis, while loans to banking institutions may be covered by such security as may be deemed appropriate by the Central Bank on a case-to-case basis.

Section 15. *Credit risk* — The National Government or banking institutions as sub-borrowers, whether as the ultimate end-user borrowers or for relending purposes, shall be primarily and solely liable to the Central Bank.

Section 16. *Availment period* — Sub-loans approved by the Central Bank shall be availed by sub-borrowers within such period as the Central Bank shall determine, on a case-to-case basis, from date of notice of approval, provided, however, that said period shall not extend beyond the commitment period stipulated under the loan agreement of the corresponding source — foreign credit of the Central Bank.

Section 17. *Prepayment* — Sub-borrowers may be granted the option to prepay the loan, provided that the Central Bank could utilize the amount prepaid in prepaying its corresponding foreign credits, and provided further that the sub-borrower/s concerned will shoulder all the penalty, costs, expenses and other charges that may be incurred by the Central Bank as a result of such prepayment.

Section 18. *Sub-loan agreement* — Unless otherwise stipulated in these guidelines, and consistent with applicable Philippine laws, rules and regulations, the sub-loan agreement covering the loans relented by the Central Bank shall embody the basic terms and conditions of the loan agreement covering the consolidated foreign credits of the Central Bank.

Section 19. *Administering Department*. — The processing and evaluation of the loan applications shall be lodged with the Management of External Debt and Investment Accounts Department which shall prepare the corresponding memorandum and pertinent recommendations for appropriate action by higher authorities. The servicing of the loan with respect to loan releases and collection, as well as the payment of the consolidated foreign credits, shall be administered by the Foreign Exchange Department, for which purpose a "Special Consolidated Foreign Borrowings Account" shall be created.

All collections received which the Central Bank shall in turn pay to the creditors of its consolidated foreign credits shall remain intact under aforesaid account until the remittance thereof to the creditor/s concerned.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) G.S. LICAROS
Governor

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CIRCULAR No. 608
April 20, 1978

REGULATIONS ON BANKING DAYS AND HOURS

The Monetary Board, in its Resolution No. 490 dated March 31, 1978, promulgated the following rules and regulations to govern the banking days and hours of banks and to supersede Circular No. 353, as amended:

SECTION 1. *Banking days.* — Except as provided in Item 11 of Circular No. 420, as amended, banks, including their branches, agencies and extension offices, doing business in the Philippines shall observe the following banking days:

- | | |
|---|--|
| (a) Commercial Banks
(including the Philippine National Bank and the Philippine Veterans Bank) | Five-day banking week,
Monday thru Friday, with
option to open on Saturdays and Sundays |
| (b) Thrift Banks and
Regional Unit Banks
as defined in Sec. 6-A
of R.A. No. 337, as
amended | Six-day banking week,
Monday thru Saturday,
with option to open on
Sundays |
| (c) Specialized Government
Banks (the Development
Bank of the Philippines,
The Land Bank of the
Philippines and the Philippine Amanah Bank) | Five-day banking week,
Monday thru Friday, with
option to open on Saturdays
and Sundays |

Banks shall also have the option to open on local or national holidays: *Provided*, That the options granted under this Section may be availed of by giving the notice prescribed in Section 6 hereof.

SEC. 2. *Minimum banking hours.* — All banks, including their branches, agencies and extension offices, doing business in the Philippines, shall transact business for not less than six (6) hours a day, to be selected by the bank concerned, between 8:00 o'clock in the morning and 8:00 o'clock in the evening: *Provided*, That in the exercise of the option granted in Section 1 hereof, banks may transact business for less than six (6) hours.

SEC. 3. *Banking hours beyond the minimum.* — For purposes of servicing deposits and withdrawals, banks may, at their discretion and after prior written notice to the appropriate supervising and examining department of the Central Bank, remain open beyond the minimum six (6) hours and for as long as they find it necessary, even before 8:00 o'clock in the morning or after 8:00 o'clock in the evening. Banks may, after prior written notice, also remain open beyond the minimum six (6) hours for banking services other than the servicing of deposits and withdrawals but in no case shall such banking hours start earlier than 8:00 o'clock in the morning nor extend beyond 8:00 o'clock in the evening.

SEC. 4. *Report of, and changes in, banking days and hours.* — The banking days and hours selected for each of the offices of banks

shall be reported in writing to the appropriate supervising and examining department of the Central Bank. Banks may change the banking days and hours previously reported to the Central Bank by giving prior written notice to the appropriate supervising and examining department of the Central Bank: *Provided*, That except in emergencies, changes in banking days or hours shall not be made oftener than once every thirty (30) days.

SEC. 5. *Emergencies.* — Banks shall not close for business during the banking days and hours as reported to the Central Bank, nor shall they open for business outside said days and hours without giving the prior written notice prescribed in Section 6 hereof except when such closing or opening is due to an emergency as herein defined.

For purposes of this Circular, emergency shall mean (1) a condition of an area or locality proclaimed by the President of the Philippines as in a state of emergency, or (2) an event or occasion or a combination of circumstances equivalent to a public calamity resulting from fire, flood, or like disaster, or through some unusual occurrence or pressing necessity, not reasonably subject to anticipation calling for immediate action or remedy.

SEC. 6. *Reporting requirements.* — The prior written notice to the Central Bank on changes in banking days and hours as required in this Circular shall be given through the fastest means of communication, at least seven (7) banking days before the intended effectivity of the change in banking hours or days. In case a bank, due to an emergency, has to open outside, or close during, the banking hours or days reported to the Central Bank, a written report submitted within twenty four (24) hours from opening or closing, as the case may be, will suffice. The report shall state the specific nature of the emergency and the period the bank opened or closed or shall open or close by reason of the emergency.

SEC. 7. *Existing Authorizations and Notifications.* — Existing authorizations and notifications regarding banking days and hours shall remain in force until changed by the bank in accordance with the provisions of this Circular.

SEC. 8. *Schedule of banking days and hours.* — The schedule of banking days and hours reported to the Central Bank shall be posted conspicuously at all times in the bank's premises.

SEC. 9. *Sanctions.* — Any person or entity violating the provisions of this Circular shall be subject to the penalties provided in Section 34-A of Republic Act No. 265, as amended.

SEC. 10. *Repealing Clause.* — This Circular shall supersede Circular No. 353, as amended by Circular No. 368, and all rules

and regulations inconsistent herewith are hereby modified or revoked accordingly.

SEC. 11. *Effectivity*. — This Circular shall take effect immediately.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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CIRCULAR NO. 609
April 26, 1978

PAWNSHOP BUSINESS DAYS AND BUSINESS HOURS

In accordance with Monetary Board Resolution No. 552 dated April 14, 1978, Section 13 of Central Bank Circular No. 374, as amended, is hereby amended to read as follows:

“Sec. 13. Business Days/Hours. — Pawnshops shall transact business at a minimum of five (5) days a week, for a minimum of six (6) hours a day, both to be selected by them. They may, at their discretion, remain open beyond the above requirement for as long as they deem it necessary. The business hours and business days shall be posted conspicuously at all times at the door of every pawnshop.

Exemption from the above requirement shall be granted to pawnshops in troubled areas after due evaluation of their request.”

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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CIRCULAR NO. 610
May 19, 1978

Pursuant to Monetary Board Resolution No. 808 dated May 19, 1978, the following regulations on loan values and rediscount rates of the Central Bank and the lending rates that may be charged by commercial, thrift (savings and mortgage banks, private develop-

ment banks and stock savings and loan associations) and rural banks for papers rediscounted with the Central Bank, are hereby prescribed:

SECTION 1. *Loan Values and Interest Rates* —

		<i>CB Rediscount Rate (per annum)</i>	<i>Maximum Bank Lending Rate (per annum)</i>
<i>Loan Value</i>			
1.A. <i>Eligible Paper with</i>			
<i>One Year</i>	<i>Year Maturity Or Less</i>		
<i>Maturity Or Less</i>			
1.A.1. Supervised Credits:			
Masagana 99) Rice Produc-) tion & Masa-) ganang Maisan) Programs other) than Agrarian) Reform)	100%	1%	10% (plus service and bank charges not exceeding 3%)
Agrarian Reform	100%	1%	10% (plus service and bank charges not exceeding 2% or P150 p.a. which ever is lower)
Others	100%	1%	10% (plus service and bank charges not exceeding 2%)
1.A.2. Non-Supervised Credits:			
Agrarian Reform)	80%	4%	12% (secured)
Others)			14% (unsecured)
1.A.3. Export)			
oriented indus-)			
tries under)			
MAAB No. 64)			
and Cir. 223 as)			
amended)			
1.A.4. Produc-)			
tion of rice and)			
corn)			
(other than)			
Masagana 99 and)			

		CB	
	Loan	Rediscount	Maximum Bank
	Value	Rate	Lending Rate
		(per annum)	(per annum)
✓ Masaganang Mai-) san), poultry and) piggery, fishing) feed grains and) sorghum)	80%	4%	9% (plus bank charge not exceeding 1%)
1.A.5. NGA rice) paper for local) purchase and) importations)			
1.A.6. Priority) I-A (per Cir. 223) as amended)			
1.A.7. Small-) scale industries)			
1.A.8. Copper)	80%	4%	6% (plus bank charges not exceeding 2%)
1.A.9. Priority) I-B and C (per Cir.) 223 as amended)	60%	9%	12% (secured) 14% (unsecured)
1.B. <i>Eligible Paper With More Than One Year Maturity</i>			
Pledge or assign-) ment of payments,) installments or amor-) tizations of long-) term lending) institutions)	70%	8%	Maturity up to 730 days: 12% (secured) 14% (unsecured)

SEC. 2. *Interest Rate Ceiling.* — The maximum bank lending rate shall be the effective rate, inclusive of service and other charges, except on loans indicated above wherein bank and service charges not exceeding one (1%), two (2%) or three (3%) per cent may be collected. The interest rate ceiling shall apply to the entire amount of the loan granted, and not only to the rediscounted portion thereof.

The grant or rebates for prompt payments under the Masagana programs shall be optional on the part of the lending banks.

SEC. 3. *Emergency loans.* — Central Bank rediscount rates against emergency loans availed of by commercial, thrift, and rural banks shall be determined on a case to case basis.

SEC. 4. *Repealing Clause.* — The provisions of Circular Nos. 401, 442, 473, 474, 543, 555, 587 and of all other existing circulars, memoranda and/or regulations which are inconsistent herewith are hereby revoked, amended or modified accordingly.

SEC. 5. *Effectivity.* — This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 611
June 19, 1978

AMENDING SECTION 2 OF CIRCULAR NO. 492 ON THE COMPUTATION OF INTEREST ON SAVINGS DEPOSITS GIVEN BY BANKS (COMMERCIAL BANKS, INCLUDING THE DEVELOPMENT BANK OF THE PHILIPPINES, LAND BANK OF THE PHILIPPINES, THRIFT BANKS AND RURAL BANKS)

The Monetary Board, in its Resolution No. 928 dated June 9, 1978 amended Section 2 of Circular No. 492 dated January 2, 1976, to read as follows:

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 seven per cent (7%) per annum, which may be compounded daily, monthly or quarterly, on the basis of either the average or actual daily balance.
- b. Thrift Institutions (as defined in Section 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 seven and one-half per cent (7-1/2%) per annum which may be compounded daily, monthly

or quarterly, on the basis of either the average or actual daily balance.

- c. Banks are not allowed to compute interest on savings deposits on the basis of the lowest monthly balance or any other method not mentioned above.

This circular shall take effect beginning the third quarter of 1978.

For the Monetary Board:

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 612
June 27, 1978

AMENDING CIRCULAR NO. 554

The Monetary Board, in its Resolution No. 917 dated June 9, 1978, approved the following amendment to Circular No. 554 dated February 3, 1977 on the rules and regulations governing collection of national internal revenue taxes through authorized agent banks:

SECTION 1. The second paragraph of Section 1 of Circular No. 554 is hereby amended to read as follows:

“x x x.

Said collection of national internal revenue taxes shall be made in all cities and municipalities with head offices, branches, agencies and extension offices of commercial banks, savings and mortgage banks, stock savings and loan associations, development banks, the Development Bank of the Philippines and the Land Bank of the Philippines: *Provided*, That the collection of national internal revenue taxes from government-owned or controlled corporations in all cities and municipalities shall be made only through banking offices of the Philippine National Bank and other government banks including the Development Bank of the Philippines.”

SEC. 2 . This Circular shall take effect fifteen (15) days from date of issuance hereof.

(SGD.) G. S. LICAROS
Governor

CIRCULAR NO. 613

June 27, 1978

AMENDING CIRCULAR NO. 426 AND CIRCULAR NO. 313

The Monetary Board, in its Resolution No. 917 dated June 9, 1978, approved the following amendment to Circular Nos. 426 and 313, dated August 21, 1974 and November 26, 1970, respectively, on the rules and regulations governing the collection of customs duties, taxes and other levies:

SECTION 1. Section 1 of Circular No. 426 is hereby amended to read as follows:

“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 except payments for customs duties, taxes and other levies by government-owned or controlled corporations, the collection of which shall be made only through banking offices of the Philippine National Bank and other government banks including the Development Bank of the Philippines, upon presentation of the Orders of Payment issued by the Bureau of Customs. Authorized Agent Banks 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.”

SEC. 2. Section 3 of Circular No. 313 is hereby amended to read as follows:

“Branch Offices and Head Office of the Authorized Agent Banks situated in Cebu City and Davao City shall accept payment for customs duties, taxes and other levies, covered by an Order of Payment issued by the Bureau of Customs except payment for customs duties, taxes and other levies by government-owned or controlled corporations, the collection of which shall be made only through banking offices of the Philippine National Bank and other government banks including the Development Bank of the Philippines. Authorized Agent Banks shall issue corresponding Official Receipts on forms prescribed for the purpose. Such forms shall be supplied to the Branch Offices and Head Office of the Authorized Agent Banks by the Central Bank of the Philippines through its Regional Offices and shall be treated as accountable forms by the said offices of the Authorized Agent Banks.”

SEC. 3. This Circular shall take effect fifteen (15) days from date of issuance hereof.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 614
June 27, 1978

AMENDING CIRCULAR NO. 373

The Monetary Board, in its Resolution No. 917 dated June 9, 1978, approved the following amendment to Circular No. 373 dated July 2, 1973, on the assessment and collection of export duty through authorized agent banks and all others concerned:

SECTION 1. The first paragraph of item No. 2 of Circular No. 373 is hereby amended to read as follows:

"Immediately upon completion of the loading of the export shipment, the Bureau of Customs, or the Collector of Customs concerned, or their duly designated representative, shall issue an Order of Payment to the authorized agent bank named therein authorizing such authorized agent bank to collect the export duty therein stated within 30 days from date of shipment: *Provided*, That the collection of export duty from government-owned or controlled corporation shall be made only through banking offices of the Philippine National Bank and other government banks including the Development Bank of the Philippines. This export duty shall constitute a lien on the peso proceeds of the shipment involved."

SEC. 2. This Circular shall take effect fifteen (15) days from date of issuance hereof.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 615
July 5, 1978

The Monetary Board, in its Resolution No. 1017 dated June 23, 1978, approved the amendment of Section 159 of the Revised Rules and Regulations Governing Rural Banks, as follows:

"Sec. 159. Number of Deposit Accounts. A depositor may have only one current and one savings deposit account in his own name in one rural bank (in the same capacity) although he may have various deposits in different capacities as guardian, agent or trustee for others."

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 616
July 5, 1978

AMENDING FURTHER CIRCULAR NO. 572 AND THE GUIDELINES ON DOMESTIC BORROWINGS OF FOREIGN FIRMS

Pursuant to its powers under existing laws, the Monetary Board, in its Resolution No. 1096 dated June 30, 1978, approved the following amendments to Circular No. 572 and the accompanying Guidelines, as amended, on domestic borrowings of foreign firms:

SECTION 1. Section 5 of Circular No. 572 and Items 3 and 6.2 of the Guidelines are hereby deleted. The subsequent Sections and Items of the Circular and the Guidelines shall accordingly be renumbered.

SECTION II. Item 2.3 of the Guidelines is hereby amended by adding a new paragraph after the second paragraph as follows:

"A foreign firm whose total debt-to-equity ratio exceeds the ratio prescribed by the Inter-Agency Committee and who has been given reasonable time within which to meet such ratio through the annual build-up program (following Annex II) as provided in the preceding paragraphs shall be issued certificates for peso borrowings provided that such foreign firm a) has not declared/distributed dividends or profits and/or has not partially withdrawn capital after July 1, 1978 and b) undertakes or commits itself not to distribute profits, earnings, declare dividends and/or partially withdraw capital during the validity or life of the certification or until such time when the prescribed debt/equity ratio has been attained";

SECTION III. Item 6.3 of the Guidelines, renumbered as Item 5.2 in this Circular is hereby amended to read as follows:

"The certification to be issued by the Inter-Agency Committee shall be to the effect that the applicant foreign firm may avail itself of peso borrowings up to the ceiling indicated

therein under the provisions of Circular 572 and these Guidelines"; and

SECTION IV. Item 6 5 renumbered as 5.4 in this Circular, is hereby amended by adding a paragraph after sub-item (e) thereof which shall read as follows:

"(f) In the case of foreign firms whose total debt/equity ratio exceeds the ratio prescribed by the Inter-Agency Committee: (1) evidence that applicant firm has not distributed profits/earnings, declared dividends and/or has not withdrawn capital after July 1, 1978; and (2) undertaking that applicant firm shall not distribute profits/earnings, or withdrawn capital during the validity of the certification or until such time when the prescribed debt/equity ratio is attained."

SECTION V. The provisions of Circular 572 and the Guidelines, Circular Nos. 582, 601 and of all other existing circulars, memoranda and /or regulations which are inconsistent herewith are hereby revoked, amended or modified accordingly.

SECTION VI. This Circular shall take effect July 1, 1978.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 617
July 7, 1978

SUPERSEDING CIRCULAR NO. 510

The Monetary Board, in its Resolution No. 1070 dated June 30, 1978, promulgated the following rules:

SECTION 1. The minimum size of any single deposit substitute transaction by any financial intermediary authorized to engage in quasi-banking functions, whether bank or non-bank, shall be Two Hundred Thousand Pesos (P200,000.00) for maturities of seven hundred thirty (730) days or less, and One Hundred Thousand Pesos (P100,000.00) for maturities of more than seven hundred thirty (730) days.

SEC. 2. In connection with the minimum trading lot rule above-stated, no financial intermediary performing quasi-banking functions, whether bank or non-bank, shall issue deposit substitute instruments in the name of two or more persons, or accounts. How-

ever, the following shall be considered as one person or account: (1) husband and wife, followed by the word "spouses" and (2) "in trust for" (ITF) arrangements.

SEC. 3. Any person or entity violating the provisions of this Circular shall be subject to the penalties provided in Section 34 and/or 34-A of Republic Act No. 265, as amended.

Sec. 4 This Circular supersedes Circular No. 510 and repeals or modifies other rules and regulations inconsistent herewith.

This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRULAR NO. 618
July 14, 1978

Effective immediately, no foreign loan agreements, deferred payment agreements or any other agreements which give rise to a foreign currency obligation or liability submitted to the Central Bank of the Philippines for approval and/or registration under the provisions of existing CB circulars, rules and regulations, and no promissory notes or guaranties issued in connection therewith, shall be approved and/or registered if these are notarized or are otherwise evidenced by a public instrument.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 619
July 17, 1978

AMENDMENT TO THE GUIDELINES FOR THE
GRANT OF AGRARIAN REFORM CREDIT BY BANKING
INSTITUTIONS UNDER PRESIDENTIAL DECREE
NO. 717

Pursuant to Monetary Board Resolution No. 1145 dated July 7, 1978, Item C. 2 of Circular No. 473 dated June 30, 1975 prescribing the guidelines for the grant of agrarian reform credit and

agricultural credit by banking institutions under Presidential Decree No. 717, is hereby further amended to read as follows:

"c. REQUIRED ALLOCATION FOR AGRARIAN REFORM CREDIT/-AGRICULTURAL CREDIT

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X X X X

X X X X

"2. In the absence of qualified borrowers, the amount set aside for agrarian reform credit not actually loaned out may be invested temporarily in government securities expressly declared eligible for the purpose by the Central Bank, subject to the following requirements:

a. such government securities shall be held to maturity, without prejudice to the right of the holder bank to require the issuing government entity to monetize, encash or repurchase such securities whenever funds are needed by the bank for lending to the beneficiaries of agrarian reform;

b. such government securities shall not be hypothecated or encumbered in any way or earmarked for any other purpose; and

c. such government securities shall be marked "For Agrarian Reform Credit" and shall be segregated from the bank's investment portfolio.

"Only the buying/lending bank in a resale/repurchase agreement between private entities covering eligible government securities may use such securities during the holding period for purposes of compliance with the agrarian reform credit requirement under Circular No. 473 dated June 30, 1975, under the following conditions:

"1. the resale/repurchase should be for terms not less than thirty (30) days without pre-termination before the first successive thirty (30) days, which condition shall be embodied in the resale/repurchase agreement; and

"2. the buying/lending bank, with the consent of the selling/borrowing bank/entity, shall register with the Central Bank its holdings of CBCIs under repurchase/ resale agreement.

"Conversely, the selling/borrowing bank in such repurchase/ resale agreement covering eligible government securities shall not use such securities for purposes of compliance with the agrarian reform credit requirement."

Any change in the composition of government securities held as temporary investment for agrarian credit purposes shall be re-

ported to the appropriate supervising and examining department not later than twelve (12) banking days after the end of reference month.

This Circular, which supersedes Circular No. 560, shall take effect immediately, and all previous circulars inconsistent herewith are hereby deemed amended and/or revoked.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 620
July 26, 1978

AMENDING CIRCULAR NO. 551 ON
MONEY SHOP OPERATIONS

The Monetary Board, in its Resolution No. 1170 dated July 14, 1978, approved the following amendments to Circular No. 551:

SECTION 1. Item I.D.2 of Circular No. 551 is hereby amended to read as follows:

"2. Only one money shop shall be allowed to be established in any one market: *Provided*, that in the case where a market has at least 800 stallholders and storeowners, a second money shop may be established: *Provided, further*, that stallholders and storeowners within the market and within 100 meters from the market perimeter shall be included for the purpose of determining the number of stallholders and storeowners. *Provided, finally*, that only one money shop shall be allowed for each bank in any one market."

SEC. 2. Item II.A of the same Circular is hereby amended to read as follows:

"A. Scope of Operations

1. A money shop shall provide working capital or inventory financing to market stallholders, and stallholders and storeowners within 100 meters from the market perimeter.

2. It shall service deposits and withdrawals on savings and time deposits of said stallholders and storeowners."

SEC. 3. Item II.C.1 of the same Circular is hereby amended to read as follows:

"C. Loan Limits

1. Loans to be extended shall in no case exceed P10,000.00 per stallholder or storeowner."

SEC. 4. Item II.E of the same Circular is hereby amended to read as follows:

"E. New Loans and Renewals

A loan granted to a stallholder or storeowner shall not be renewed until after 50% thereof shall have been paid. Likewise, if the ratio of total past due loans of the money shop exceeds 30% of the total outstanding loans, the total money shop loan portfolio at the time the past due ratio of 30% has been exceeded shall not be increased. For this purpose, a loan shall be considered past due where any installment remains unpaid for ten days or more."

SEC. 5. Item II. H of the same Circular is hereby amended by adding the following after item 3 thereof:

"To implement this Circular, each money shop shall submit to the appropriate supervising department of the Central Bank an updated listing of the names of stall/store owner within 100 meters from the market perimeter and such other reports as may be required."

This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 621
July 26, 1978

In its Resolution No. 1171 dated July 14, 1978, the Monetary Board approved the following guidelines for purposes of determining compliance by all banks with the fifty percent (50%) ceiling, based on net worth, on the total investment of banks in real estate and improvements thereof, including bank equipment, as provided in Sections 25 and 34 of R.A. No. 337, as amended, Section 3 R.A. No. 4093, as amended, and Section 21(d) of R.A. No. 3779, as amended:

1. The investment of any bank in real estate and improvements thereof and in bank equipment shall include all real estate and

equipment necessary for the bank's immediate use in the transaction of its business, such as:

a. "Bank Premises—Land and Buildings," "Buildings under Construction," "Leasehold Rights and Improvements," and "Furniture, Fixture and Equipment" (as defined in the Manual of Accounts for All Banks prescribed under Circular Letter dated 29 June 1976), owned and used by the bank in the conduct of its business, including staff houses, recreational facilities and landscaping costs, net of accumulated depreciation: Provided, however, that appraisal increment on bank premises shall not be included in the total investment in real estate and improvements for purposes of these guidelines; and

b. Real property, equipment or other chattel purchased by the bank in its name for the benefit of its officers and employees, net of depreciation and in the case of land or other non-depreciable property, net of payments already made to the bank by the officers and employees for whose benefit the property was bought, where such property has not yet been fully paid and ownership has not yet been transferred to them.

2. The following shall be included in the computation of a bank's total investment in bank premises:

a. (1) The cost of real estate leased in whole or in part by the bank from a corporation in which the bank has equity, equivalent to the amount obtained by applying the percentage of the equity of the bank in the lessor to the cost of that portion of the property being leased, or (2) the amount of equity in the lessor, whichever is lower; plus the amount obtained by applying the percentage of the equity of the bank in the lessor to any outstanding loans of the lessor with the bank, the proceeds of which were used to purchase, construct or develop the real estate used for the bank's purposes.

b. The lower of (1) the cost of real estate leased in whole or in part by the bank from a corporation in which any or a group of stockholders owning 10% or more of the voting stock of the bank, directors and/or officers of the bank, hold or own more than 15% of the subscribed capital stock of the lessor, equivalent to the amount obtained by applying the percentage of the equity of said stockholders/directors/officers in the lessor to the cost of that portion of the property being leased by the bank, or (2) the amount obtained by applying the percentage of the equity of the stockholders/directors/officers in the lessor to any outstanding loans of the corporation with the bank, the proceeds of which were used to purchase, construct or develop the real estate used for the bank's purposes.

3. The above guidelines shall apply to rural banks without prejudice to the limitations prescribed under Circular No. 502 dated 2 February 1976 on the investment by rural banks in real estate and improvements thereof, including bank equipment.

This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 622
August 11, 1978

AMENDING CIRCULAR NO. 561 ON FINANCING
PLANS FOR BANK OFFICERS/EMPLOYEES

The Monetary Board, in its Resolution No. 1242 dated July 28, 1978 amended Part B, second paragraph of Circular No. 561 by deleting the provision on the minimum years of service on the various types of loans before officers/employees may avail themselves of the fringe benefit financing plans.

This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 623
August 11, 1978

AMENDING SECTION 7 OF CIRCULAR NO. 547 ON THE
REGULATIONS IMPLEMENTING P.D. NO. 1035
EXPANDING THE AUTHORITY OF CERTAIN
DEPOSITORY BANKS UNDER R.A. NO. 6426

The Monetary Board, in its Resolution No. 1238 dated July 28, 1978 amended Section 7 of Circular No. 547 dated November 26, 1976, to read as follows:

SEC. 7. *Foreign Currency Cover/Requirements* — The FCDU shall maintain at all times a one hundred per cent (100%) eligible foreign currency cover, not only for its deposit liabilities but also for all other types of foreign currency liabilities. However, the

FCDU shall be exempt from the requirement of maintaining fifteen per cent (15%) of the cover in the form of foreign currency deposits with the Central Bank.

In addition to the eligible foreign currency assets cover enumerated in Section 4 of R.A. No. 6426 and in Section 8 of implementing Circular No. 343, the FCDU may use the following foreign currency assets as cover:

- a. Foreign currency deposits with resident OBUs and other FCDUs;
- b. Foreign currency loans maturing beyond one (1) year;
- c. Investments in foreign currency-denominated debt instruments with maturities of more than one (1) year and whether readily marketable or not;
- d. Foreign currency interest receivable.

The one hundred per cent (100%) foreign currency cover may consist of the following:

- a. Not less than seventy per cent (70%) shall be in the same currency as that of the corresponding foreign currency liability; and
- b. Thirty per cent (30%) or less, at the option of the Foreign Currency Deposit Unit, may be denominated in another eligible foreign currency or in other eligible foreign currencies.

Attached is CBP Form 6-40-03, Table A on Report on Foreign Currency Cover, which FCDUs shall accomplish bi-monthly for submission to the Foreign Currency Deposit Division, Foreign Exchange Department, Central Bank of the Philippines, not later than two (2) banking days immediately following the 15th and last day of the reference month.

This circular shall take effect immediately.

FOR THE MONETARY BOARD: D:

(SGD.) G.S. LICAROS
Governor

INSTRUCTIONS FOR ACCOMPLISHING FORM NO.
CBP 6-40-03, 1: REPORT ON FOREIGN CURRENCY
COVER OF FCDUs

1. "Foreign Currency" refers to foreign currencies which form

part of the Philippine international reserves, as well as other foreign currencies that are freely convertible into such reserve eligible foreign currencies, i.e.:

U.S. \$	— U.S. Dollar
L	— Pound Sterling
SFR	— Swiss franc
FF	— French Franc
DM	— Deutsche Mark
Can \$	— Canadian Dollar
NG	— Netherlands Guilder
Lit.	— Italian Lira
Y	— Japanese Yen
A Sch.	— Austrian Schilling
A \$	— Australian Dollar
E \$	— Hongkong Dollar
S \$	— Singapore Dollar

2. Column 2 — US\$ Equivalent of FC Liabilities — Enter the total FC Liabilities converted into US\$ by using the middle rates of the NY closing buying & selling rates based on Reuter's Financial Report as of the 15th and last banking day of the reference month.

3. Column 4 — US\$ Equivalent of Asset Cover — In Same Currency as FC Liabilities (Liquidation Value) — Enter all assets in other foreign currencies converted into US\$ by using the middle rates of the NY closing buying and selling rates based on Reuter's Financial Report as of dates mentioned in Item 2.

Aforementioned rates shall be furnished by the Foreign Currency Deposit Division, Foreign Exchange Department, Central Bank of the Philippines to the reporting FCDU, on the 15th and the last banking day of every calendar month.

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CIRCULAR NO. 624
August 11, 1978

Pursuant to Monetary Board Resolution No. 1339 dated August 11, 1978, as amended by Monetary Board Resolution No. 1396 dated August 18, 1978, and in accordance with the pertinent provisions of LOI No. 704 dated June 9, 1978, the following guidelines on Grains Quedan Financing Program are hereby issued for the guidance of all concerned, to take effect immediately:

I. OBJECTIVES OF THE PROGRAM

1. To augment the operating capital of grains businessmen and Area Marketing Cooperatives and encourage their active participation in the local procurement of grains;
2. To increase the direct involvement of private commercial banks in agricultural credit in compliance with PD 717;
3. To strengthen further the integrity and acceptability of the grains quedan as collateral for loan availment;
4. To enhance further the grains price stabilization program of the government; and
5. To support the Masagana 99 Program.

II. LEGAL BASES

1. Letter of Instruction No. 696, dated May 24, 1978, making funds available to the NGA and the Central Bank for release to qualified rural banks in the form of special time deposits;
2. Letter of Instruction No. 704, dated June 9, 1978, establishing a Quedan Guarantee Fund and constituting the Quedan Guarantee Fund Board;
3. Presidential Decree No. 4 dated September 26, 1972, as amended by PD 1485 dated June 11, 1978 creating the NGA and prescribing its functions, powers and authorities.

III. TERMINOLOGY

1. Grains Businessman (GB) — a warehouseman, miller, and/or retailer duly licensed and accredited by NGA or an Area Marketing Cooperative (AMC) endorsed by the Bureau of Cooperatives Development (BCOD) and likewise licensed by NGA.
2. Lending Bank (LB) — any banking institution organized and existing under the laws of the Republic of the Philippines and duly authorized by the Central Bank of the Philippines to participate in the Grains Quedan Financing Program.
3. Grains Quedan (GQ) — simply known otherwise as Quedan, is a negotiable warehouse receipt by the terms of which the palay deposit in a bonded warehouse, duly licensed by NGA, shall be delivered to the depositor upon his order, or to bearer or holder in due course for value of the said receipt.
4. Bonded Stocks — shall refer to palay stocks stored in a bonded warehouse.
5. Special Time Deposit (STD) — shall refer to the amount deposited by CB with eligible RBs pursuant to LOI No. 696 and its implementing Memorandum to All Rural Banks.
6. Board — a group of officials, otherwise known as the Quedan Guarantee Fund Board (QGFB), which is empowered

to administer the Fund and is composed of the NGA Administrator as Chairman with the Central Bank Governor and the Minister of the Budget or their duly authorized representatives as members.

7. Fund — the Quedan Guarantee Fund established under LOI No. 704 to guarantee the existence of palay deposit covered by grains quedan up to 66-2/3% of the outstanding loan.
8. National Grains Authority (NGA) — a body corporate organized and existing under and by virtue of PD No. 4, as amended, for the integrated growth and development of the grains industry.
9. CONFED — Confederation of Filipino Rice and Corn Association, Inc.
10. Masagana Creditor (MC) — shall refer to the financial institutions which granted productions loans to farmer-borrowers under the Masagana 99 program.
11. Collection Agreement (CA) — shall refer to the Agreement between the GB and MC stipulating that said GB shall assist in the collection of the production loan granted to Masagana farmers.
12. Authority to Collect (AC) — is a certification by MC that the GB is duly authorized to collect from named Masagana farmers.

IV. STATEMENT OF POLICIES

A. Purpose of Loan

To finance the palay procurement of a grains businessman and other incidental expenses such as for sacks, drying, milling, cleaning, trucking and handling of palay.

B. Eligibility Requirement of Grains Businessmen

1. He must be licensed and accredited by NGA;
2. He must be a holder of in due course of a negotiable palay quedan;
3. In the case of AMCs, it must be duly endorsed by the Bureau of Cooperatives Development (BCOD), of the Ministry of Local Governments and Community Development (MLGCD) and likewise licensed by NGA.
4. In the case of individual GB, preference shall be given to those duly endorsed by CONFED; and
5. If borrowing from a rural bank, he must have a net worth not exceeding P100,000. (This requirement does not apply to those borrowing from other types of banks).

C. Terms and Conditions

1. Collateral

Deed of Pledge on the negotiable palay quedan issued by a bonded warehouseman in accordance with NGA

- rules and regulations.
2. **Loan Ceiling**
The loan ceiling shall be as prescribed under Section 23 of General Banking Act, as amended.
 3. **Loan Value**
The loan value shall be 50 percent of the face value of the quedan computed at the prevailing government support price.
 4. **Types and Term of Loan**
Straight Loan for 180 days; or one year credit line made available in notes not exceeding 180 days.
 5. **Maximum Lending Bank Rates** Per annum interest rate of 9% PLUS 1% service and other charges.
 6. **Rediscount Rate, Value and Maturity**
Promisory notes generated under this credit program may be rediscounted with CB up to 100 percent of the loan at the rate of 4 percent per annum with maturity not exceeding 180 days per the bank's existing ceiling.
 7. **Quedan Guaranty Fund**
The Fund shall guarantee the existence of palay deposit covered by quedan up to an amount equivalent to 66-2/3% of the outstanding loan, as provided for in the attached Rules and Regulations governing the guarantee coverage of grains quedan. The QGFB shall collect from the LB a guarantee fee of 1% per annum based on the amount of loan which shall not be passed on to the GB.
 8. **Purchase Guaranty**
At the option of the lending bank, the NGA shall undertake the purchase of palay deposit equivalent to the outstanding loan covered by quedan upon the maturity of the loan.
 9. **Collection Agreement**
The GBs are encouraged to enter into an Agreement with Masagana Creditors to assist in the Collection of outstanding Masagana 99 production loans.

V. RESPONSIBILITIES OF PARTICIPATING AGENCIES

A. Central Bank (CB)

1. To disseminate the terms and conditions of the program to eligible Lending Bank;
2. To administer the funds made available under LOI 696 and to grant STDs to eligible RBs;
3. Within the bank's existing ceiling to extend rediscounting facilities to all eligible papers under this Grains Quedan Financing Program;

B. Lending Banks (LB)

1. To disseminate the terms of loans as well as require-

- ments to its branch offices;
 - 2. To evaluate, process and extend loans under this program.
- C. National Grains Authority (NGA)**
- 1. To accredit the prospective borrowers;
 - 2. To periodically inspect and monitor bonded stocks per existing NGA inventory reporting system;
 - 3. To supervise, control and monitor quedans issued by bonded warehousemen;
 - 4. To conduct joint inspection of stocks with authorized representative of lending banks;
 - 5. To purchase the palay stocks equivalent to the outstanding loan covered by quedan at the option of lending bank upon maturity of the loans.
- D. Quedan Guarantee Fund Board (QGFB)**
- 1. To administer the grains quedan guarantee fund;
 - 2. To execute a guarantee agreement with eligible LBs;
 - 3. To pay legitimate claims by LBs against the Fund; and
 - 4. To oversee the implementation of LOI 704 and its implementing rules and regulations.
- E. RBs, PNB, ACA as Masagana Creditor (MC) (Optional)**
- 1. To enter into a Collection Agreement with GBs and LBs;
 - 2. To issue an Authority to Collect to GBs specifying the arrangements for the GBs assistance in loan collection of M-99;
 - 3. To provide the GBs and LBs through Provincial Program Officers (RPOs) a list of Masagana borrowers who have outstanding obligations with their respective banks; and
 - 4. To receive the amount representing collections turned over by the duly authorized GB for the payment of Masagana loans of farmer-borrowers, in accordance with the Authority to Collect issued by the MC to the Grains Businessman.
- F. Bankers Associations**
- To circularize among member banks the implementing rules and regulations of this financing program and encourage them to participate in said program.
- G. Confederation of Filipino Rice and Corn Association, Inc. (CONFED)**
- 1. To recommend to participating banks eligible Grains Businessmen;
 - 2. To assist in the collection of the loans granted to its recommended members; and
 - 3. To circularize among its members the mechanics; of the program.

H. Bureau of Cooperatives Development (BCOD)

1. To certify and endorse eligible MACs; and
2. To assist the Lending Banks in the collection of loans extended to AMC.

I. National Food and Agriculture Council (NFAC)

Provincial Program Officers (PP-Os) of Masagana 99 to secure from MC the list of Masagana 99 borrowers to be given to Grains Businessmen and Lending Banks (LBs).

Please be guided accordingly.

(SGD.) G. S. LICAROS

Governor

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Attachments:

(Annexes A to D not reproduced)

QUEDAN GUARANTEE FUND BOARD

RULES AND REGULATIONS GOVERNING THE GUARANTEE COVERAGE OF GRAINS QUEDAN PURSUANT TO LETTER OF INSTRUCTION NO. 704

Pursuant to Letter of Instruction No. 704, dated June 9, 1978, the following Rules and Regulations governing the operations of the guarantee coverage of grains quedan are hereby promulgated:

Section 1. Definition of Terms — Unless otherwise specified, the following terms used in these Rules and Regulations shall mean.

- 1.1 Fund — The Quedan Guarantee Fund established under LOI No. 704 to guarantee the existence of palay deposit covered by grains quedan up to 66-2/3% of the outstanding loan;
- 1.2 Grains Quedan (GQ) — simply known otherwise as quedan, is a negotiable warehouse receipt by the terms of which the palay deposit in a bonded warehouse, duly licensed by NGA, shall be delivered to the depositor or upon his order, or to bearer or holder in due course for value of the said receipt upon demand.
- 1.3 Palay Deposit — a quantity of unhulled or unhusked grain of rice delivered to an accepted by a bonded warehouseman for the purpose of storage and for which a quedan is issued; or a quantity of palay owned by a bonded warehouseman stored in his warehouse and for which a quedan is issued in his own name subject to NGA's requirements as to previous inspection and affidavit of ownerships of the commodity.
- 1.4 NGA — the National Grains Authority, a body corporate

organized and existing under and by virtue of Presidential Decree No. 4, as amended.

- 1.5 Board — a group of officials, otherwise known as the Quedan Guarantee Fund Board, which is empowered to administer the Fund and is composed of the NGA Administrator as Chairman with the Central Bank Governor and the Minister of Budget or their duly authorized representatives as Members.
- 1.6 Grains Businessman (GB) — a warehouseman, miller, wholesaler and/or retailer duly licensed and accredited by NGA or an Area Marketing Cooperative (AMC) endorsed by the Bureau of Cooperatives Development (BCOD) and likewise licensed by NGA.
- 1.7 Borrower — A Grains Businessman who intends to secure or in fact has secured a loan from a Lending Bank by pledging grains quedans.
- 1.8 Lending Bank — any banking institution organized and existing under the laws of the Republic of the Philippines and duly authorized by the Central Bank of the Philippines to participate in the grains quedan financing program.
- 1.9 Maturity of the Loan — the due date for the full payment of the loan granted by a Lending Bank to a Grains Businessman as appearing in the promissory note and/or other legal document; or an earlier date than as above specified brought about by confirmed findings in a joint inspection that the palay deposit is wholly or partially non-existent.
- 2.0 Bond — an undertaking conditioned to respond or answer for the value of the palay actually delivered and received at any time the warehouseman is unable to return said palay deposit or to pay for its value.

Section 2. Purpose of the Fund — The Fund has been established to further strengthen the integrity and acceptability of grains quedan by undertaking to guaranty the existence of palay deposit when said quedan is pledged by a Grains Businessman with a Lending Bank and thereby develop the quedan as a convenient credit instrument for channelling the banking sector's loanable funds for the augmentation of the working capital of Grains Businessmen in their palay procurement operation and enhance the stabilization of palay farm price.

Section 3. Administration of the Fund — the Fund shall be administered as hereunder outlined:

- 3.1 The Fund and monies accruing to it shall be administered by the Board.
- 3.2 The Board shall adopt such policies, rules and regulations as may be necessary to administer the Fund and to effectively achieve the objective of the Grains Quedan Financing Program.
- 3.3 The Board shall create a staff which shall assist in the

processing of applications for guarantee coverage, claims for guarantee payments of lending bank and in other matters pertaining to the administration of the Fund.

Section 4. Eligible Quedan for Guarantee Coverage -- only quedans covering palay deposit pledged by a Grains Businessman for the purpose of securing commodity loan from a Lending Bank shall be eligible for guarantee coverage.

Section 5. Extent of the Coverage -- the Fund shall guaranty the existence of palay deposit covered by quedan up to an amount equivalent to 66-2/3% of the outstanding loan.

Section 6. Extent of Liability of the Fund -- the liability of the fund to the Lending Bank shall be up to 66-2/3% of the outstanding loan, exclusive of interest and other charges, after deducting the sales proceeds of existing palay deposits, if any, provided that the non-payment of said loan is due to the non-existence of palay deposit covered by the pledged quedan.

Section 7. Requirements for Guarantee Coverage -- a Lending Bank desiring to avail of the guarantee coverage on quedans pledged for commodity loans by Grains Businessman must comply with the following requirements:

- 7.1 The execution of a Guarantee Agreement with the Board in a prescribed form (Annex A);
- 7.2 After the execution of the Guarantee Agreement and for as long as it is in full force and effect, the Lending Bank shall submit to the Board within fifteen (15) calendar days from the date of loans a List of Quedans for guarantee coverage in a prescribed form (Annex B). The list shall be submitted directly to the Board either through personal delivery or through registered mails. In the first case, the date of acknowledgment by any authorized representative of the Board on the copies of List filed or submitted; and in the second case, the date of mailing postmarked on the envelope or the registry receipt shall be considered as the date of filing or submission; and
- 7.3 The remittance of the guaranty fee to the Board together with the List of Quedans for Guaranty Coverage.

Section 8. Effectivity of Guarantee Coverage -- After the List of Quedans for Guarantee Coverage shall have been submitted by the Lending Bank and consequently approved by the Board, the effectivity of the guarantee coverage shall retroact to the date of the submission of the said List as provided for in Section 7.2

Section 9. Guarantee Fee -- a guarantee fee of one (1%) percent per annum of the amount of every loan extended to Grains Business-

men shall be paid by the Lending Bank to the Board. Said fee shall not be passed on to the Borrower and non-refundable in case of cancellation of the guarantee coverage due to any of the grounds enumerated in Section 15.

Section 10. Joint Inspection of Stocks — In the event of failure of Grains Businessman to pay wholly or in part his loan upon maturity, the Lending Bank shall within fifteen (15) calendar days notify the Board after which a joint inspection by authorized representatives of the Lending Bank and NGA (acting on behalf of the Board) shall be conducted for the purpose of assessing the quality and quantity of the palay deposit covered by the quedan. A joint inspection may likewise be conducted even before the maturity of the loan at the instance of the Lending Bank or NGA. After the joint inspection, a report in a standard NGA format shall immediately be submitted to the Board.

Section 11. Purchase Guarantee of Palay Deposit — At the option of the Lending Bank, NGA shall purchase the existing palay deposit equivalent to the outstanding loan covered by grains quedan at the prevailing government support price upon maturity of the loan.

Section 12. Conditions for Claim Against the Fund — Before filing any claim against the Fund, the Lending Bank shall first exhaust the following courses of action to collect payment of outstanding loan depending on the findings of the joint inspection.

- 12.1 If the value of the existing palay deposit is sufficient to satisfy the outstanding loan, the Lending Bank must sell the said deposit either to a third party or to NGA as provided for in Section 11. In either case, the proceeds of the sale shall be applied to the outstanding loan.
- 12.2 If the value of the existing palay deposit is not sufficient to satisfy the outstanding loan, the Lending Bank shall likewise sell the said deposit as outlined above and the proceeds of sale shall be applied to the outstanding loan and, thereafter, only the remaining unpaid loan shall be subject for claim against the Fund to the extent provided for in Section 6.
- 12.3 If the palay deposit is non-existent, the Lending Bank shall proceed to claim against the Fund, likewise to the extent provided for in Section 6.

Section 13. Payment of Claim — The Board shall pay the guarantee claim to the extent allowed under Section 6, subject to the conditions forth in Section 12 and after the Lending Bank shall have filed a Claim for Guarantee Payment in he prescribed from (Annex C); provided, that the guarantee coverage shall not have been cancelled or nullified under any of the grounds enumerated in Section 15.

JESUS T. TANCHANCO
Administrator, National Grains Authority
CHAIRMAN

G. S. LICAROS
Governor, Central Bank of the Philippines
MEMBER

JAIME C. LAYA
Minister, Ministry of the Budget
MEMBER

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CIRCULAR NO. 625
August 18, 1978

FURTHER AMENDING CIRCULAR NO. 536,
AS AMENDED

The Monetary Board, in its Resolution No. 1309 dated August 4, 1978, approved the following amendments to Circular No. 536, as amended by Circular No. 571, prescribing an investment-deposit ratio for commercial and thrift banks:

SECTION 1. Item 2 of Circular No. 536 is hereby amended to read as follows:

"In case a bank has two or more offices (i.e., head office and/or branches, etc.) in a particular regional grouping, the policy may be deemed complied with if the aggregate investment of such bank's offices is not below 75% of its aggregate deposit held in that region; provided, however, that the bank may be permitted to devote at least 60% of said 75% ratio of aggregate investment to loans for the financing of agricultural and export industries; and, provided, further, that any bank which finds difficulty to comply with this requirement may be permitted to make arrangements with any government financial institution that may be willing to transfer some of its loan accounts to the said bank so that the surplus funds of such bank may be properly invested in that area; Provided, finally, that loans granted by offices in a region may be assigned and considered part of the loans/investments of offices in another region, subject to the presentation of acceptable proof that the end-users of the loan proceeds are located in the latter region. Acceptable proof may include but need not be limited to the following: (a) ticket showing that the loan proceeds were released by an office in that region and/or (b) cable advice from the lending office to the office in the region where end-users are located re. approval of loan and release thereof."

SEC. 2. The second to the last paragraph of the same Circular is hereby amended to read as follows:

"With the exception of Item 6 hereof which, in the case of thrift banks, shall take effect December 31, 1976, this Circular shall take effect immediately. However, for purposes of determining compliance with the investment-deposit ratio, banks shall be granted a six months grace period from every reporting date within which to invest their loanable funds."

SEC. 3. This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 626
August 21, 1978

REGULATIONS GOVERNING LIVESTOCK FINANCING
AND LOANS FOR AGRICULTURAL INPUTS
OF THRIFT BANKS

The Monetary Board, in its Resolution No. 1374 dated August 18, 1978, adopted the following regulations governing loans to encourage the breeding, raising and production of cattle and other livestock and for the acquisition of agricultural inputs, for the purpose of implementing the provisions of subsections (b) (1) and (b) (3) of Section 31 of Republic Act No. 337, as amended, and Section 5 (a) of Republic Act No. 3779, as amended.

A. *Livestock Financing*

1. Livestock financing shall refer to loans granted to encourage the breeding, raising and/or production of livestock, including but not limited to cattle, carabao, goats and pigs, as well as of poultry.

2. Such loans shall have a maturity of not more than three (3) years: *Provided*, That the portion of the livestock loans utilized for capital expenditures may have a maturity of not more than (5) years: *Provided, further*, That maturities of livestock loans funded under special financing programs shall be subject to the rules of such special financing programs.

B. *Loans for Agricultural Inputs*

1. Agricultural inputs shall refer to seeds, feeds, fertilizers, nutrients, chemicals, pesticides, herbicides, rodenticides and other

similar items necessary to directly sustain the growth of an agricultural product. In the case of loans to end-users directly engaged in agricultural production, other items/services necessary to directly sustain the growth of an agricultural product shall also be considered as agricultural inputs.

2. Loans for the acquisition of agricultural inputs may be granted to end-users directly engaged in agricultural production, as well as to persons and entities engaged in the processing, storage, marketing or distribution of agricultural inputs, secured by any of the following collaterals:

- a. Real estate mortgage;
- b. Chattel mortgage on farm machinery and equipment, or on work animals, or on growing/standing crops, or on stored crops in bonded warehouses, in the case of end-users;
- c. Chattel mortgage on properties used in the business of the borrower;
- d. Government securities; and
- e. Other acceptable collaterals.

3. Loans to end-users directly engaged in agricultural production shall have a maturity of not more than three (3) years or one (1) crop season, whichever is shorter. Loans to persons or entities engaged in the processing, storage, marketing or distribution of agricultural inputs shall have a maturity of not more than three (3) years.

This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 627
August 21, 1978

INCREASED LOAN VALUES OF COLLATERALS
IN SPECIAL CASES

The Monetary Board, in its Resolution No. 1374 dated August 18, 1978, approved the increased loan values of collaterals in the following special cases pursuant to the third paragraph of Section 78 of Republic Act No. 337, as amended:

1. Loans for home building and subdivision development for low and middle-income families against real estate security may be granted up to eighty per cent (80%) of the appraised value of the real estate security: *Provided, That* --

a) such loans shall not be made unless the title to the real estate security is in the name of the borrower or mortgagor; and

b) the subdivision/housing project or plan has been approved by the proper authorities;

or up to ninety per cent (90%) of the appraised value of the real estate security if such loans are fully guaranteed by the Home Financing Commission (HFC) or other similar government institutions, in addition to the foregoing conditions.

2. Loans for the acquisition of any instrument, machinery and other equipment for the use of the borrower in the production, processing, transformation, handling or transportation of agricultural and industrial products may be granted up to sixty per cent (60%) of the appraised value of the assets so acquired with the proceeds of the loan: *Provided, That* such loans shall not be made unless title to the chattels is in the name of the borrower or mortgagor.

If such loan is secured by real estate, the loan may amount up to eighty per cent (80%) of the appraised value of the real estate: *Provided, That* title to the real estate security is in the name of the borrower or mortgagor.

This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 628
August 21, 1978

AMENDING CIRCULAR NO. 552 ON RESERVES
AGAINST DEPOSIT AND DEPOSIT SUBSTITUTE
LIABILITIES OF BANKS

The Monetary Board, in its Resolution No. 1374 dated August 18, 1978, amended Section 1 of Circular No. 552 to read as follows:

“SECTION 1. *Reserves Against Deposit Liabilities in Local Currency*

"The required reserves against deposit liabilities in local currency of banks shall be as follows:

"1. Commercial Banks, Land Bank of the Philippines and the Philippine Amanah Bank

Against demand, time and savings deposits — twenty per cent (20%) of each type of deposit liability.

"2. Rural Banks

- a) Against demand deposits — fourteen per cent (14%) of such deposit liabilities.
- b) Against time and savings deposits — eight per cent (8%) of each type of deposit liability.

"3. Thrift Banks

- a) Against demand deposits — twenty per cent (20%) of such deposit liabilities.
- b) Against time and savings deposits — eight per cent (8%) of each type of deposit liability.

"4. Development Bank of the Philippines

Against time and savings deposits — eight per cent (8%) of each type of deposit liability."

This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 629
August 21, 1978

**SINGLE BORROWER'S LOAN LIMIT UNDER SECTION
32 OF REPUBLIC ACT NO. 337, AS AMENDED**

The Monetary Board, in its Resolution No. 1374 dated August 18, 1978, approved the following regulations governing the grant of additional indebtedness by a thrift bank to a single borrower pursuant to the second paragraph of Section 32 of Republic Act No. 337, as amended:

The total indebtedness of ~~any~~ borrower to a bank may amount to a further fifteen per cent (15%) of the unimpaired capital and surplus of such bank: *Provided That* —

a) the additional indebtedness is for the purpose of financing subdivision and/or housing projects for the low and middle-income families;

b) the subdivision/housing projects have been approved by the proper authorities; and

c) the loans to subdivision and housing developers shall be secured by a mortgage on real estate, title of which is the name of the borrower or mortgagor.

This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 630
August 21, 1978

**REGULATIONS GOVERNING LOANS FOR
PERSONAL AND HOUSEHOLD FINANCE
OF THRIFT BANKS**

The Monetary Board, in its Resolution No. 1374 dated August 18, 1978, adopted the following regulations governing loans for personal and household finance of thrift banks for the purpose of implementing the provisions of Section 31(a) of Republic Act No. 337, as amended, and Section 5(a) of Republic Act No. 3779, as amended:

1. Loans for personal and household finance, whether clean or secured, shall include, but need not be limited to, household appliance loans, car loans, house and car repair loans, educational loans, loans for medical expenses, loans for the payment of income taxes, and loans for working capital or inventory financing of market stallholders. In any case, the purpose of all loans shall be stated in the contract between the bank and the borrower or shall be set forth in a statement signed by the borrower.

2. Clean loans for personal and household finance shall require the signatures of the borrower and a co-maker (s) whose salary or regular income is at least equal to that of the borrower. In the case

of a borrower whose responsibility and financial capacity are unquestionable as determined by the bank, the signature of the borrower alone may suffice.

Banks shall require the borrowers and co-makers to submit a certification from their employers of their monthly salary or regular income. In case the borrower is self-employed, a certification by the borrower of the source and amount of his regular income shall be required. In all cases, the certification shall be under oath.

3. Clean loans for personal and household finance shall have a maturity of not more than three (3) years. Loans for personal and household finance secured by real estate or chattel mortgage shall have a maturity of not more than five (5) years.

4. The maximum amount of clean loans to persons who are self-employed shall be computed on the same basis as that applying to permanent employees or wage earners. For this purpose, regular income of persons who are self-employed shall be their average monthly income during the 12-month period immediately preceding the date of loan application.

5. Loans for personal and household finance may be granted on the security of real estate or chattel mortgage, or savings and time deposits specified in Section 31(a) of Republic Act No. 337, as amended, including pledges and assignments of government securities. Secured loans obtained for the purpose of acquiring durable consumer goods shall have as principal security a lien on such goods being acquired, the bank being empowered, however, to require as additional security a lien or mortgage on other properties of the debtor: *Provided*, That the lien on the goods being acquired out of the proceeds of the loan need not be constituted if the borrower executes a mortgage on real estate property, seventy per cent (70%) of the appraised value of which equals or exceeds the amount of the loan granted.

6. The aggregate outstanding loans for personal and household finance secured by real estate or chattel mortgage shall not exceed ten per cent (10%) of the total assets of the bank.

7. Extension beyond the original maturity date of the outstanding balance of clean loans for personal and household finance may be allowed under the following circumstances:

a. For loans for medical expenses, the extension may be for the same duration as the original period: *Provided*, That thirty per cent (30%) of the loan shall have been paid.

b. For other loans mentioned in Item 1 above, the extension shall not exceed one-half of the original period:

Provided, That fifty per cent (50%) of the loan shall have been paid.

The maturity of secured loans for personal and household finance may be extended: *Provided*, That such extension shall not exceed the duration of the original period: *Provided, further*, That all accrued interest receivable and other charges have been paid to the bank before such extension is made.

8. Clean loans for personal and household finance may be renewed for any amount not exceeding the original amount thereof: *Provided*, That at least fifty per cent (50%) of said original amount shall have been paid.

Secured loans for personal and household finance may be renewed for any amount not exceeding the original amount thereof or the loan value of the collaterals thereof, whichever is lower: *Provided*, That all accrued interest receivable and other charges have been paid to the bank before such renewal is made.

9. Banks shall maintain adequate and accurate credit files of their respective borrowers.

10. The appropriate supervising and examining department of the Central Bank may recommend to the Monetary Board, for a violation of the provisions of this Circular, the imposition of any or a combination of the following sanctions:

a. Disqualification of the bank concerned from the credit facilities of the Bank;

b. Prohibition of the bank concerned from the extension of additional credit accommodations against personal security; and

c. Sanction provided under Section 34 and 34-A of Republic Act No. 265, as amended and Section 87 of Republic Act No. 337, as amended.

11. This Circular supersedes Circular No. 454 and Memorandum to All Thrift Banks dated April 1, 1975 and repeals or modifies other regulations inconsistent herewith.

This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

CIRCULAR NO. 631

August 21, 1978

**RULES GOVERNING THE GRANT OF AUTHORITY TO
THRIFT BANKS TO ACCEPT OR CREATE
DEMAND DEPOSITS**

Pursuant to Section 72-A of Republic Act. No. 337, as amended, the Monetary Board, in its Resolution No. 1374 dated August 18, 1978, promulgated the following rules and guidelines governing the grant of authority to thrift banks to accept or create demand deposits:

SECTION 1. *Procedural Requirements* — Any thrift bank desiring to accept or create demand deposits shall submit an application therefor in the form of a letter-request addressed to the Monetary Board which shall be evaluated by the appropriate supervising and examining department of the Central Bank, taking into account, among other things, (a) the capital, financial condition, and profitability of earning capacity of the applicant bank; (b) existing procedures and internal control system of the applicant bank; (c) the ability of the bank's personnel to handle checking accounts; and (d) the general compliance by the applicant bank with banking laws, rules and policies, and all orders or instructions of the Monetary Board and/or the Central Bank Management.

SECTION 2. *Minimum Qualification Requirements* — The authority to accept or create demand deposits shall be granted only to banks which meet the following requirements:

2.a. *Capitalization*

- 2.a.1. The applicant bank, regardless of its type and location, shall have a minimum paid-in capital of P12.5 million, including the minimum paid-in capital required under the existing increased capitalization programs, for an authority to accept or create demand deposits from all types of depositors, including corporate depositors; or a minimum paid-in capital of P6.0 million, including the minimum paid-in capital required under the existing increased capitalization programs, for an authority to accept or create demand deposits from natural persons only.
- 2.a.2. The term "paid-in-capital" as used herein shall include paid-in surplus and shall be unimpaired by valuation reserves or adjustments to capital accounts as may be required by the Central Bank, whether booked or unbooked, or whether or not the setting

up and/or booking of such valuation reserves has been allowed on a staggered basis.

- 2.a.3. Stock dividends shall be considered accretions to paid-in capital only if there is an actual declaration and issuance of stock dividends in accordance with applicable laws and regulations.
- 2.a.4. The conversion of earned surplus/undivided profits to paid-in surplus to cover premiums on stock dividends shall not be permitted.

2.b. *Financial Condition*

- 2.b.1. The bank shall not have incurred any capital deficiency in any day computed under Section 30 of Republic Act No. 337, as amended, and the corresponding implementing rules and regulations of said provision of law, during the six (6) months period immediately preceding the filing of its application, and/or any capital deficiency from the date of grant of authority to the day before checking account services are offered or extended to the public.
- 2.b.2. The applicant bank shall not have incurred any net deficiency in reserves against deposit liabilities/deposit substitutes in any week during the six (6) months period immediately prior to the filing of its application and/or any net reserve deficiency from grant of authority to the day before checking account services are offered or extended to the public.
- 2.b.3. The applicant bank shall have had profitable operations during the last three (3) years prior to the filing of its application.

SECTION 3. *Limitations and Restrictions* — The authority to accept demand deposits shall be subject to the following limitations and restrictions:

- 3.a. Checking account facilities may be extended to natural persons only, or to all types of depositors, including corporate depositors, as the case may be, depending on the paid-in capital of the bank as prescribed in Section 2.a.1 of this Circular. However, a bank authorized to extend checking account facilities to natural persons only, which subsequently meets the paid-in capital of P12.5 million and desires to extend demand deposit facilities to all types of

depositors, shall submit an application therefor and be subject to the same procedural requirements specified in Section 1 of this Circular.

- 3.b. Banks may accept demand deposits only after a permit therefor has been issued by the Governor upon the recommendation of the appropriate supervising and examining department, which permit shall be issued only after the bank shall have presented satisfactory proofs that its personnel possess the necessary training and/or experience and its facilities are adequate to operate and/or service demand deposits, that it has adopted appropriate and adequate systems, procedures and internal control systems as herein required, and that it has satisfactorily complied with all other conditions/requirements imposed in this Circular.

For purposes of the required training and/or experience, attendance at appropriate seminars, workshops, on-the-job training and/or experience of an officer/employee designated to handle the demand deposit operations for at least six (6) months may be considered.

- 3.c. To maintain the stability of the thrift banking system, advertisement on the grant of authority to any thrift bank to accept or create demand deposits subject to withdrawal by check that tends to prejudice the thrift banks not yet given similar authority shall not be allowed.
- 3.d. The provisions of existing rules and regulations governing demand deposits or checking accounts such as CB Circular No. 549 dated December 6, 1976 prohibiting bank officers and employees from opening or maintaining demand deposit accounts with the banking office in which they are employed/assigned and Memorandum to All Banks dated November 15, 1976 prohibiting temporary overdrawings against demand deposits, shall apply to thrift banks authorized to accept or create demand deposits.

SECTION 4. *Procedures and Internal Control System* — Thrift banks that may be authorized to accept checking accounts shall adopt appropriate systems and procedures and adequate internal control systems to enhance their efficiency, as well as to prevent or deter the commission of fraud and to assure satisfactory experience with the demand deposit accounts. As minimum requirements insofar as internal controls are concerned, said banks shall adopt the "Minimum Control Standards" for deposit accounts prescribed under Circular-Letter to All Banks dated November 29, 1976.

SECTION 5. *Miscellaneous Requirements* — Officers and employees involved in demand deposit operations shall be bonded adequately and/or covered by adequate blanket insurance coverage.

Any thrift bank authorized to accept demand deposits may participate in the Central Bank clearing operations and shall comply with all applicable rules and regulations governing CB clearing operations.

SECTION 6. *Penal Clause* — Any violation of these rules shall subject the bank concerned, the officers and/or employees responsible for such violation to the sanctions provided under Sections 34 and 34-A of R.A. No. 265, as amended, without prejudice to such criminal action as may be warranted under the circumstances.

SECTION 7. This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 632
September 20, 1978

Pursuant to Monetary Board Resolution No. 1543 dated September 8, 1978, the following amendments to existing rules, regulations and procedures governing the rediscounting of eligible papers covering exports and small scale/cottage industries with assets not exceeding P1 million, under Sec. 87 of R.A. 265, as amended, shall take effect immediately:

- 1) Any bank that is eligible to rediscount and whose rediscount ceiling has already been saturated or fully availed of shall be entitled to an increase in its existing rediscount ceiling to the extent of 50%, which shall be used exclusively for the financing of non-traditional exports/small scale/cottage industries;
- 2) The proceeds of any rediscounting application covering exports/small scale/cottage industries shall be credited to the demand deposit account of the applicant bank on the same date the said application is filed with the Department of Loans and Credit, Central Bank, provided such application is received at or before 12:00 noon;
- 3) If after due processing, any or all of the papers offered/rediscounted are found ineligible/unacceptable as collateral for the loan, the clearing account of the commercial bank concerned

shall be debited immediately for the amount corresponding to the loan value of the ineligible/unacceptable collaterals, plus accrued interest, at a rate which shall be 2% higher than the preferential rate for export-small scale/cottage industry papers; and

- 4) All existing circulars, orders and/or instructions inconsistent herewith shall be deemed revoked and/or modified accordingly.

It is understood that the maximum lending rate to be charged by commercial banks for papers covering exports and small scale/cottage industries with assets not exceeding P1 million shall remain at 9% per annum plus bank charge not exceeding 1% as provided for under Circular No. 610 dated May 19, 1978.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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CIRCULAR NO. 633
September 25, 1978

AMENDING CIRCULAR NO. 373, AS AMENDED
BY CIRCULAR NO. 614

In consonance with Customs Memorandum Order Nos. 43-78 and 44-78 dated September 8 and August 29, 1978, respectively, expanding the collection of export duty and premium duty to the outports, the following amendments to Circular No. 373 dated July 2, 1978, are hereby promulgated to allow branches of authorized agent banks operating in the outports to accept payments, submit daily collection reports of export duty and premium duty and remit said collections to the Central Bank of the Philippines thru the Revenue Collection Office and its Revenue Collection Regional Units.

SECTION 1. The first paragraph of Item No. 3 of Circular No. 373 is hereby amended to read as follows:

“Authorized agent banks and their branches collecting the export duty and premium duty shall issue official receipts for the amounts collected on the official receipt forms prescribed by the Central Bank of the Philippines. For their requirements, authorized agent banks shall requisition the official receipt forms from the Cash Department, Central Bank of the Philippines. However, bank branches in the cities of Cebu, Davao, Cagayan de Oro and Iloilo shall requisition their receipt forms from their respective RCO-Revenue Collection Regional Units.

Such forms shall be treated as accountable forms by the collecting banks concerned."

SECTION 2. The first paragraph of Item 4 of Circular No. 373 is hereby amended to read as follows:

"The authorized agent banks shall submit to the Revenue Collection Office, Central Bank of the Philippines, a daily summary of collection of export duty and premium duty collected by them and their branches within the Greater Manila Area, not later than 5:00 P.M. on the business day next following the date of collection. For collections made by branches of authorized agent banks located outside the Greater Manila Area, the daily summary of collections of export duty and premium duty shall be submitted through their respective Head Offices as soon as possible but not later than seven (7) days after receipt of collection. However, for collections made by bank branches operating in the cities of Cebu, Davao, Cagayan de Oro and Iloilo, the daily summary of collection of export duty and premium duty shall be submitted to the respective RCO-Revenue Collection Regional Units not later than seven (7) days after receipt of collection. Notwithstanding that an authorized agent bank or branch thereof may not have made any collection of export duty and premium duty on a particular business day, the daily summary of collection shall nevertheless be submitted, with indication that no such duties were collected on said day."

SECTION 3. Item 5 of Circular No. 373 is hereby amended to read as follows:

"All collections of export duty and premium duty made by authorized agent banks and their branches shall be remitted to the Central Bank of the Philippines by the authorized agent bank concerned either by Cashier's, Manager's or Treasurer's Checks within seven (7) days from date of collection. However, remittances for collections of export duty and premium duty made by bank branches operating in the cities of Cebu, Davao, Cagayan de Oro and Iloilo shall be submitted to the respective RCO-Revenue Collection Regional Units. Any collections not remitted within the said period of seven (7) days shall be debited against the demand deposit account with the Central Bank of the Philippines of the authorized agent bank concerned."

SECTION 4. This Circular shall take effect on October 1, 1978.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

CIRCULAR NO. 634
October 3, 1978

AMENDING FURTHER CIRCULAR NO. 567,
AS AMENDED, ON THE UNIFORM GUIDELINES
FOR THE ESTABLISHMENT OF BANKING OFFICES

The Monetary Board, in its Resolution No. 1567 dated September 15, 1978, amended further Circular No. 567, as amended, on the uniform guidelines to govern applications of banks for the establishment of banking offices, as follows:

SECTION 1. Item 2 of Circular No. 567, as amended by Circular No. 590, is hereby further amended to read as follows:

“2. No application for the establishment of additional offices shall be accepted by the Central Bank from a bank which has six (6) approved but unopened banking offices (including savings agencies and money shops): *Provided*, That applications which may be accepted at any given time from a bank shall be such that if all these applications were approved, the applicant bank shall not have authorized but unopened offices in excess of the limitations herein prescribed.

Applications may be accepted from all banks for any area or locality on a first-come, first-served basis, regardless of whether or not there are approved but unopened banking offices in the area or locality: *Provided*, That such applications shall be processed, on a priority basis, only when there are less than two (2) approved but unopened banking offices, irrespective of type and category, (excluding head offices, and other banking offices not opened within the extension period granted) in the same area or locality.”

SEC. 2. A new provision is hereby added after Item 5 of Circular No. 567, as amended, and numbered as Item 6, as follows:

“6. Approved banking offices, other than head offices, shall be opened within six (6) months from date of approval thereof: *Provided*, That the applicant bank may be given a final extension of another three (3) months subject to the presentation of proof that the said banking office can be opened within this period.”

This Circular supersedes Circular No. 590, and shall take effect immediately.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

CIRCULAR NO. 635
October 12, 1978

Pursuant to Monetary Board Resolution Nos. 959, 1277, 1396, 1488 and 1543 dated June 16, July 28, August 18, September 1 and 8, 1978, respectively, the provisions of Circular No. 610 dated May 19, 1978, specifically Item 1.A. of Section 1 thereof, is hereby amended to read as follows:

SECTION 1. *Loan Values and Interest Rates*

		<i>CB Rediscount Rate (per annum)</i>	<i>Maximum Bank Lending Rate (per annum)</i>
1.A. <i>Eligible Paper with One Year Maturity or Less</i>			
<i>For Rural Banks -</i>			
1.A.1. Supervised Credits:			
Masagana 99 Rice) Production & Ma- saganang Maisan) Programs other) than Agrarian) Reform) Reform	100%	1%	10% (plus services and bank charges not exceeding 3%)
Agrarian Reform	100%	1%	10% (plus service and bank charges not exceed- ing 2% or P150 p. a. whichever is lower)
Other Supervised Credit Papers	100%	1%	10% (plus ser- vice and bank charges not exceeding 2%)
Grains Quedan Financing - Palay	100%	4%	9% (plus bank charge not ex- ceeding 1%)

		<i>CB</i>	<i>Maximum</i>
		<i>Rediscount</i>	<i>Bank</i>
<i>Loan</i>		<i>Rate</i>	<i>Lending Rate</i>
<i>Value</i>	<i>(per annum)</i>	<i>(per annum)</i>	<i>(per annum)</i>

1.A.2. Non-Supervised Credits:

Agrarian Reform)			
Agricultural, In-)	80%	4%	12% (secured)
dustrial and Com-)			14% (unse-
mmercial Papers			cured)

For Commercial/Thrift Banks -

1.A.3. Export-oriented)			
industries under)			
MAAB No. 64)			
and Cir. 223 as)			
amended)			
)			
1.A.4. Production of)			
rice and corn,)			
poultry and pig-)	80%	4%	9% (plus bank
gery, fishing feed)			charge not ex-
grains and sorg-)			ceeding 1%)
hum, (For Masa-)			
gana 99/Masaga-)			
nang Maisan, Ag-)			
rarian Reform)			
and other super-)			
vised credit, the)			
provisions of)			
1.A.1 shall ap -)			
ply.))			

1.A.5. NGA papers for:

a. Local purchases)			
and importations)			
of rice/palay)			
)	100%	3%	6%
b. Local procure-)			
ment of corn,)			
sorghum, soy)			
beans and mongo)			
)			
c. Importations of)			
wheat and feed-)	80%	3%	6%
grains			

		<i>CB Rediscount Loan Value</i>	<i>Rate (per annum)</i>	<i>Maximum Bank Lending Rate (per annum)</i>
1.A.6.	Priority I-A:			
a.	Grains Quedan Financing-Palay	100%	4%	9% (plus bank charge not ex- ceeding 1%)
b.	Per Cir. 223, as amended	80%	4%	9% (plus bank charge not ex- ceeding 1%)
1.A.7.	Small-scale/ cottage indus- tries	80%	4%	9% (plus bank charge not ex- ceeding 1%)
1.A.8.	Copper, nickel metal and nickel and co- balt in mixed sul- phides	80%	4%	6% (plus bank charge not ex- ceeding 2%)
1.A.9.	Priority I-B and C (per Cir. 223 as amended)	60%	9%	12% (secured) 14% (unse- cured)

This Circular shall take effect immediately and all existing circulars, orders and/or instructions inconsistent herewith shall be deemed revoked and/or modified accordingly.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 636
October 20, 1978

AMENDING SECTION 40 OF CIRCULAR NO. 157,
AS AMENDED

Pursuant to Monetary Board Resolution No. 1687 dated October 13, 1978, Paragraph (a) of Section 40 of Circular No. 157, as amended (Rules and Regulations for Savings and Loan Associations), is hereby further amended to read as follows:

“(a) For each loan, a non-stock savings and loan association is authorized to charge the following:

- (1) Handling and service fee in an amount not exceeding one per cent (1%) per annum of the loan granted or the outstanding balance thereof, whichever is lower; *Provided*, That the Association may charge a minimum fee of Three Pesos (P3.00); and
- (2) Legal and documentation fee of Ten Pesos (10.00), exclusive of the actual cost of documentary stamps used.

“Collection of charges on loans of stock savings and loan associations shall be governed by Circulars No. 504 and 586.”

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 637
November 7 1978

**RULES AND REGULATIONS GOVERNING THE ADOPTION OF
THE UNIFORM SYSTEMS OF ACCOUNTS FOR THE PHILIPPINE
NATIONAL BANK, DEVELOPMENT BANK OF THE PHILIPPINES,
LAND BANK OF THE PHILIPPINES, AND PHILIPPINE AMANAH
BANK**

Pursuant to Monetary Board Resolution No. 1726 dated October 20, 1978, the Philippine National Bank, Development Bank of the Philippines, Land Bank of the Philippines, and Philippine Amanah Bank are hereby required to adopt the Uniform Systems of Accounts prescribed in the appropriate Manuals of Accounts, under the following guidelines and/or regulations:

1. The strict adoption/implementation of the Uniform Systems of Accounts and/or full compliance with this requirement, subject to penalties/sanctions for any violation thereof, shall be effective January 1, 1980. However, for meeting reportorial requirements of the Central Bank and for purposes of published statements, the accounts specified in the said Manuals of Account shall be adopted/used beginning January 1, 1979.

2. The following penalties/sanctions, whenever applicable, shall be imposed upon any or all of the said government banks for failure or refusal to adopt the prescribed Uniform Systems of Accounts or any of the applicable accounts contained therein or for using/adopting any general ledger account not specified in the said Manuals of Accounts without prior written approval of the Governor of the Central Bank:
 - a. Penalties prescribed under Sections 34 and 34-A of Republic Act No. 265, as amended;
 - b. Suspension or revocation of the authority to engage in quasi-banking functions; and
 - c. Such other penalties/sanctions authorized by law.
3. Any provisions (s) of existing regulations inconsistent with the foregoing are hereby revoked, amended or modified accordingly.
4. These regulations shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 638
November 8, 1978

**GOVERNMENT SECURITIES ELIGIBLE AS RESERVES AGAINST
DEPOSIT AND DEPOSIT SUBSTITUTE LIABILITIES OF BANKS
AND NON-BANK FINANCIAL INTERMEDIARIES AUTHORIZED
TO ENGAGE IN QUASI-BANKING FUNCTIONS**

The Monetary Board, in its Resolution No. 1794 dated November 3, 1978, promulgated that government securities eligible as reserves against deposit and deposit substitute liabilities of banks and non-bank financial intermediaries with quasi-banking functions shall be limited to bonds or other evidences of indebtedness representing direct obligations of the Government of the Republic of the Philippines having the following minimum features/conditions:

1. The securities must bear an interest rate of not more than 4 per cent per annum, and must be non-negotiable provided that they shall carry Central Bank support; and

2. The instrument must expressly state in its face the amount, maturity date and interest rate of the obligation.

Other government securities being used for reserve purposes shall continue to be eligible as such, *provided*, that whenever said securities shall have matured, they shall be replaced by securities carrying the above features.

This Circular amends Sections 2 and 4 of Circular No. 552, and Section 3 of Circular No. 553, both dated January 17, 1977.

This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 639
November 10, 1978

Pursuant to Monetary Board Resolution No. 1784 dated November 3, 1978, the following amendments to existing rules, regulations and procedures governing the rediscounting of eligible papers covering exports and small scale/cottage industries with assets not exceeding P1 million as well as the production/exports/trading of sugar, rice and tobacco under Sec. 87 of R.A. No. 265, as amended, shall take effect immediately:

- 1) Any bank that is eligible to rediscount and whose **rediscount** ceiling has already been saturated or fully **availed** of shall be entitled to an increase in its existing **rediscount** ceiling to the extent of 50%, which shall be **used** exclusively for financing non-traditional exports/**small scale/cottage industries** and the production/exports/trading of sugar, rice and tobacco, provided that availments for the production/exports/-trading of sugar, rice and tobacco shall not exceed one-half (1/2) of the 50% increase in its rediscount ceiling;
- 2) The proceeds of any rediscounting application covering exports/**small scale/cottage industries** shall be credited to the demand deposit account of the applicant bank on the same date the said application is filed with the Department of Loans and Credit, Central Bank, provided such application is received at or before 12:00 noon;
- 3) If after due processing, any or all of the papers offered/-rediscounted are found ineligible/unacceptable as collateral

for the loan, the clearing account of the commercial bank concerned shall be debited immediately for the amount corresponding to the loan value of the ineligible/-unacceptable collaterals, plus accrued interest, at a rate which shall be 2% higher than the preferential rate for loans against exports/small scale/cottage industry papers; and

- 4) All existing circulars, orders and/or instructions inconsistent herewith shall be deemed revoked and/or modified accordingly.

It is understood that the maximum lending rate to be charged by commercial banks for papers covering exports and small scale/cottage industries with assets not exceeding P1 million as well as the production/exports/trading of sugar, rice and tobacco shall be at 9% per annum plus bank charge not exceeding 1% as provided for under Circular No. 635 dated October 12, 1978.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 640
November 20, 1978

In further implementation of Executive Order No. 206 of the President of the Philippines dated January 9, 1970 and amended by Executive Order No. 339 dated September 9, 1971 and Presidential Decree No. 1045 dated November 5, 1976, directing the Central Bank of the Philippines to receive payment of national internal revenue taxes through its authorized agent banks, the following rules and regulations are hereby promulgated:

SECTION 1. The following national internal revenue taxes shall be Collected under these arrangements:

<i>BIR CLASSIFICATION</i>	<i>BTR/GFS CLASSIFICATION</i>	<i>BTR/GF BTR/GFS CODE</i>
1. Individual Income Tax	Individual Income tax	1.2.0
2. Corporate Income Tax	Corporate Income Tax	1.1.0
3. Estate Taxes	Death & Gift Taxes	4.4.0
4. Donor's Taxes	Death & Gift Taxes	4.4.0
5. Specific Taxes	Selective Excises on Goods	5.2.0

<i>BIR CLASSIFICATION</i>	<i>BTR/GFS CLAS- SIFICATION</i>	<i>BTR/GFS CODE</i>
6. Specific Taxes- Imported	Selective Excises on Goods	5.2.0
7. Privilege Taxes on Business (Fixed Taxes)	Business & Profes- sional Licenses	5.5.1
8. Percentage Tax on Business (Gross Receipts)	General Sales Turn- Over or Value Added Taxes	5.1.0
9. Percentage on Stock Transactions	Property Transfer Tax	4.5.0
10. Compensating Tax	General Sales Turn- Over or Value Added Taxes	5.1.0
11. Percentage Tax on Gross Receipts of Night Clubs, Cabarets, Jai-Alai	Selective Taxes on Services	5.4.0
12. Annual Graduated Fixed Tax	Business & Profes- sional Licenses	5.5.1
13. Percentage on Insu- rance Premiums	Selective Taxes on Services	5.4.0
14. Mining Occupation Fee	Other: Property Income	8.2.2
15. Rentals on Coal Bearing Land	Other: Property Income	8.2.2
16. Royalties	Other: Taxes on Goods & Services	5.6.0
17. Amusement Tax: Winnings in Race Tracks & Jai-Alai	Individual Income Tax	1.2.0
18. Forest Charges	Adm. Fees & Charges	8.3.0
19. Rental of Forest Lands	Other: Property Income	8.2.2
20. Fees of Weights & Measures	Adm. Fees & Charges	8.3.0
21. Firearms Tax	Business & Profes- sional Licenses	5.5.1
22. Firearms Initial & Annual Fees	Adm. Fees & Charges	8.3.0
23. Annual Hunting Permit	Adm. Fees & Charges	8.3.0
24. Radio Fees	Adm. Fees & Charges	8.3.0
25. Tobacco Inspection Fees	Adm. Fees & Charges	8.3.0
26. Water Rentals	Adm. Fees & Charges	8.3.0
27. Large Power Development Tax	Adm. Fees & Charges	8.3.0
28. Tax on Timber: UP Information Fund	Adm. Fees & Charges	8.3.0
29. Wood Conservation Fee (FORPRIDECOM Fund)	Adm. Fees & Charges	8.3.0
30. Special Franchise Tax) Manila Jockey &) Phil. Racing Club)	Selective Taxes on Services	5.4.0

<i>BIR CLASSIFICATION</i>	<i>BTR/GFS CLAS- SIFICATION</i>	<i>BTR/GFS CODE</i>
31. Greater Manila Flood Tax	Selective Taxes on Services	5.4.0
32. Taxes under Sugar Adjustment Act	General Sales Turn-over or Value Added Tax	5.1.0
33. Documentary & Science Stamps (10.00 and above)	Stamp Tax	7.2.0
34. Proceeds from Forfeitures of Bonds, Litigation) Fee, Proceeds from) Smuggled or Confis-) cated Goods)	Other Non-Tax Revenue	8.6.0
35. Unclassified Taxes	Other Taxes	7.3.0

Said collection of national internal revenue taxes shall be made in all cities and municipalities with head offices, branches, agencies and extension offices of commercial banks, savings and mortgage banks, stock savings and loan associations, development banks, the Development Bank of the Philippines and the Land Bank of the Philippines. *Provided*, that the collection of national internal revenue taxes from government-owned or controlled corporations in all cities and municipalities shall be made only through banking offices of the Philippine National Bank and other government banks including the Development Bank of the Philippines.

For purposes of this Circular --

- (A) Greater Manila Area shall comprise the cities of Manila, Caloocan, Quezon and Pasay and the municipalities of Las Piñas, Navotas, Malabon, Mandaluyong, Marikina, Muntinlupa, Makati, Parañaque, Pasig, Pateros, San Juan and Taguig.
- (B) The areas under Revenue Collection Regional Units shall comprise --
 - 1) Greater Cebu Area which includes the cities of Cebu, Lapu-Lapu, Mandaue and Toledo;
 - 2) Greater Bacolod Area which includes the cities of Bacolod, Cadiz, Silay, San Carlos and the towns of Binalbagan and Victorias; and
 - 3) The cities of Davao, Iloilo and Cagayan de Oro.

- (C) Other Cities and Municipalities shall comprise all other cities and municipalities not included in Paragraphs A & B.

SECTION 2. Authorized Agent Banks which include head offices, branches and agencies of commercial, savings and mortgage banks, stock savings and loan associations, development banks, the Development Bank of the Philippines and the Land Bank of the Philippines shall accept payment from the taxpayer the full amount of internal revenue taxes stated in space number 9 of the Revenue Tax Receipt (RTR) 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 taxpayers and shall issue and validate the corresponding Confirmation Receipt (CR) on forms prescribed for this purpose. Such Confirmation Receipt forms shall be supplied to the Authorized Agent Banks by the Revenue Collection Office, Central Bank, and shall be treated as accountable forms by the Authorized Agent Banks. In the cities of Cebu, Davao, Bacolod, Iloilo and Cagayan de Oro, Confirmation Receipt forms (CR) shall be supplied to the branch offices of the Authorized Agent Banks by the Central Bank's Revenue Collection Regional Units in the said cities and shall be treated as accountable forms by said branches of Authorized Agent Banks. Authorized Agent Banks shall be required to submit a monthly Inventory Report of Confirmation Receipt (CR) to the Revenue Collection Office, Central Bank, or its Revenue Collection Regional Units not later than the 15th day of the succeeding month. However, in case of documentary, science and strip stamps, payment thereof shall be in the form of cash or cashier's manager's, treasurer's or certified checks. A check accepted for payment of taxes shall apply to only one Confirmation Receipt (CR). The Bureau of Internal Revenue shall be the sole agency to issue Revenue Tax Receipts (RTRs) to taxpayers and shall be fully accountable to the Central Bank for all Revenue Receipt forms issued by them.

SECTION 3. All national internal revenue tax collections made are to be booked and credited to a special account "DUE TO CENTRAL BANK-Internal Revenue Account." However, the account shall indicate whether the collection is for Greater Manila Area (GMA), Other Cities and Municipalities (OCM), Greater Cebu Area, Greater Bacolod Area, Davao City, Iloilo City and Cagayan de Oro City. Any check payment subsequently returned and/or dishonored by a drawee shall be debited automatically to this Special Account and delivery of such returned/dishonored checks shall be as follows:

- A) For Greater Manila Area (GMA) and Other Cities and Municipalities (OCM) - To the Revenue Collection Office,

Central Bank of the Philippines, Manila

- B) For the areas covered by Revenue Collection Regional Units - To their respective regional units**

SECTION 4. Submission of Collection Reports —

- (A) For Greater Manila Area —**

Authorized Agent Banks shall submit to the Revenue Collection Office, Central Bank of the Philippines, Manila, a daily summary report of collections of internal revenue taxes collected by them, including the collections of all their branches and agencies located in the cities and municipalities covered by these arrangements not later than seven (7) days following the date of collection. This Summary shall be signed by a responsible official of the Authorized Agent Bank and shall be accompanied by the duplicate copies of the Confirmation Receipts (CR), together with the original copies of the Revenue Tax Receipts (RTR). The Confirmation Receipts (CR) shall be listed numerically in the Summary. The Authorized Agent Banks shall deliver to the Bureau of Internal Revenue located in Quezon City the triplicate copies of the Confirmation Receipts (CR) together with the duplicate copies of the Revenue Tax Receipts (RTR) covering payment of internal revenue taxes collected and validated by them including collections by their branches and agencies, together with a copy of the daily summary report of collection not later than seven (7) days following the date of collection.

- (B) For Greater Cebu and Greater Bacolod Areas and in the Cities of Davao, Iloilo and Cagayan de Oro.**

The Branch Offices and Agencies and Head 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 report of collections of internal revenue taxes collected by them not later than seven (7) days following the date of collection. This summary shall be signed by a responsible official of the Authorized Agent Bank and shall be accompanied by the duplicate copies of the Confirmation Receipts (CR) together with the original copies of the Revenue Tax Receipts (RTR). The Confirmation Receipts (CR) shall be listed numerically in the Summary. The Branch Offices and Agencies and Head Offices of the Authorized Agent Banks in the area shall deliver to the Regional Office of the Bureau of Internal Revenue in the locality the triplicate copies of the Confirmation Receipts (CR) together triplicate copies of the Confirmation Receipts (CR) together with the duplicate copies of the Revenue Tax Receipts (RTR) covering payments of internal

revenue taxes issued by them, together with a copy of the daily summary report of collections not later than seven (7) days following the date of collection.

(C) For Other Cities and Municipalities —

All collections made by branch offices and agencies of Authorized Agent Banks covered by this arrangement from Monday to Friday shall be submitted to their respective Head Offices from Monday thru Friday of the following week. The Head Offices of the Authorized Agent Banks shall forward to the Revenue Collection Office, Central Bank, Manila, all abstracts of collections received from their Branches, Agencies and Offices together with a summary of such abstracts not later than Friday of the third week following the date of collection. The weekly abstracts of collections shall be submitted in duplicate and must be signed by a responsible official of the branch office and accompanied by the duplicate copies of the Confirmation Receipts (CR), together with the original copies of the Revenue Tax Receipts (RTR). The Confirmation Receipts (CR) shall be listed numerically in the abstracts. The Authorized Agent Banks shall also deliver to the Bureau of Internal Revenue National Office, located in Quezon City, the triplicate copies of the Confirmation Receipts (CR) together with the duplicate copies of the Revenue Tax Receipts (RTR) covering payments of internal revenue taxes collected by their branches, agencies and offices together with a copy of the weekly abstracts prepared by the Head Office, within the third week after date of collection.

SECTION 5. Remittances of Collections —

(A) For Greater Manila Area —

The Authorized Agent Banks shall remit by cashier's checks to the Revenue Collection Office, Central Bank, Manila the amounts of internal revenue taxes collected by them and by all their branches and agencies in the cities and municipalities covered by these arrangements within seven (7) days from the date of their receipt of such amounts as shown in the daily summary of collections. Any such collections not so remitted shall be debited against their demand deposit accounts with the Central Bank of the Philippines.

(B) For Greater Cebu and Bacolod Areas and in the Cities of Davao, Iloilo and Cagayan de Oro —

The Branches, Agencies, Offices and Head Offices of the Authorized Agent Banks situated in the area covered shall remit by cashier's check to the Revenue Collection Regional Unit

concerned 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.

(C) For Other Cities and Municipalities —

All collections made by branch offices, sub-branches, extension offices and agencies of Authorized Agent Banks located in the cities and towns covered by this arrangement shall be remitted in the form of cashier's check by their respective Head Offices within the third (3rd) week but not later than Friday of the same week from the date of their receipt of such amounts, as shown in the weekly abstracts of collections. Any collection not so remitted shall be debited against the demand deposit account of the Head Office with the Central Bank of the Philippines. For internal revenue taxes received by agent banks up to 5:00 P.M. of the last day the corresponding tax is due, the relative confirmation receipts shall be dated as of "current date". However, payments received after 2:30 P.M. shall be validated and credited by the banks as of the following business day. Said payments shall be properly identified in the confirmation receipt. All collections credited to the Special Account (Due to Central Bank-Internal Revenue Account) shall:

1. not be subject to the "liquidity floor" requirements; and
2. be exempted from the deposit reserve requirements.

Taxes collected by Authorized Agent Banks shall not be subject to payment of interest or any other charges by the collecting Authorized Agent Banks to the Government.

SECTION 6. For this purpose and in order to facilitate filing of tax returns and payments of the corresponding taxes due thereon during the rush periods, an authorized deputy of the Commissioner of Internal Revenue shall be stationed in the Offices of the Authorized Agent Banks covered by this arrangement during the period March 1 to 15, April 1 to 15 and July 1 to 15 of each year.

SECTION 7. The Central Bank shall penalize any Authorized Agent who wilfully delays the submission of their report of collections and remittance of said collections to the Central Bank. In any case of deliberate failure to report the collection on time and to remit the collection on time, any authorized

agent bank shall be subject to the penal provisions of Central Bank Circular No. 550 dated December 13, 1976.

SECTION 8. This Circular amends Circulars No. 554 dated February 3, 1977 and 612 dated June 27, 1978 and shall take effect January 1, 1979.

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 641
November 20, 1978

**POLICY AND GUIDELINES ON SHORT-TERM FOREIGN
BORROWINGS**

Pursuant to Monetary Board Resolution No. 1532 dated September 8, 1978, the following policy and guidelines shall govern short-term foreign borrowings:

1. The following are authorized short-term foreign borrowings:
 - a. Loans of Foreign Currency Deposit Units (FCDU's) to Central Bank-certified export-oriented and/or BOI-registered enterprises under the Export Incentives Act (R.A. 6135) which are fully secured by holdouts on foreign currency deposits and which are primarily intended for meeting current pre-export financing requirements and/or for importation of raw materials, supplies and spare parts; and
 - b. Loans of FCDU's and Offshore Banking Units (OBU's) to Central Bank-certified export-oriented and/or BOI-registered enterprises under the Export Incentives Act (R.A. 6135) which are directly intended to meet current pre-export financing requirements and/or to finance importation of raw materials, supplies and spare parts; provided the total amount of such loans shall not exceed the export earnings expected to be realized by the borrower during the repayment period of the loan.
2. All other short-term foreign currency loans for purposes and/or from sources other than the above shall require prior Central Bank approval.

3. All short-term foreign currency loans granted as well as transactions thereon, including those coursed through the bank concerned, shall be reported weekly using the report form prescribed under Circular Letter dated August 16, 1978.

This circular shall take effect immediately and shall amend all provisions of existing circulars, memoranda and circular-letters inconsistent herewith.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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CIRCULAR NO. 642
December 18, 1978

SUBJECT: Further amendment of Circular No. 135 dated January 21, 1962, as amended, so as to allow firms engaged in the recruitment, placement or hiring of Filipino workers for overseas employment to qualify as special authorized foreign exchange dealers/of the Central Bank.

Pursuant to Monetary Board Resolution No. 1829 dated November 10, 1978, Circular No. 135 dated January 21, 1962, as amended, is hereby further amended so as to allow firms engaged in the recruitment, placement, or hiring of Filipino workers for overseas employment to qualify as special authorized foreign exchange dealers of the Central Bank. Applications for the purpose may be filed by those concerned with the Foreign Exchange Department of the Central Bank.

The foreign exchange operations of said firms which may be authorized to act as foreign exchange dealers under this Circular shall be governed by the terms and conditions set forth in the letter of authority to be issued by the Central Bank.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 643
December 27, 1978

**QUALIFICATIONS OF BANK DIRECTORS
AND OFFICERS**

The Monetary Board, in its Resolution No. 2058 dated December 15, 1978, approved the amendment, consolidation and reissuance of the rules and regulations to implement Section 9-A

of Republic Act No. 337, as amended, on the qualifications of bank directors and officers, as follows:

SECTION 1. *Definition of Terms.* — For purposes of this Circular, the following terms shall have the meaning indicated unless the context clearly indicates otherwise:

a. Directors shall include: (1) directors who are named of such in the articles of incorporation, (2) directors duly elected in subsequent meetings of the bank's stockholders, and (3) those elected to fill vacancies in the board of directors.

b. Officers shall include the President, Executive Vice-President, Senior Vice-President, Vice-President, General Manager, Secretary, Trust Officer, and others mentioned as officers of the bank, or those whose duties as such are defined in the by-laws, or are generally known to be the officers of the bank (or any of its branches and offices other than the head office) either through announcement, representation, publication or any kind of communication made by the bank.

c. Delinquency in the payment of obligations means that an obligation of a person with a bank where he is a director or officer or where he may be elected or appointed to said position, or at least two obligations with other banks and with non-bank financial intermediaries performing quasi-banking functions, under different credit lines or loan contracts, are past due for at least three (3) months.

d. Obligations shall include all borrowings from a bank or from a non-bank financial intermediary performing quasi-banking functions obtained by:

- (1) A director or officer for his own account or as the representative or agent of others or where he acts as a guarantor, indorser or surety, for loans from such financial institutions;
- (2) The spouse or child under parental authority of the director or officer;
- (3) Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;
- (4) A partnership of which a director or officer, or his spouse is the managing partner, or a general partner owning a controlling interest in the partnership; and
- (5) A corporation association or firm wholly-owned or majority of the capital of which is owned by any or a

group of persons mentioned in the fore-going Items (1), (2) and (4).

SEC. 2. *Qualifications of a Director.* — A director shall have the following minimum qualifications:

- a. He shall be at least twenty five (25) years of age at the time of his election or appointment; and
- b. He shall be at least a college graduate or have at least (5) years experience in business, or have undergone training in banking acceptable to the appropriate supervising and examining department of the Central Bank.

SEC. 3. *Persons Disqualified to Become Directors.* — Without prejudice to specific provisions of law prescribing disqualifications for directors, the following are disqualified from becoming directors:

- a. Persons who have been convicted judicially or administratively of an offense involving moral turpitude, or judicially declared insolvent, spend-thrift, or incapacitated to contract;
- b. Directors, officers and employees who have been removed by the Monetary Board pursuant to the provisions of Section 34-A of Republic Act No. 265, as amended, and other provisions thereof,
- c. Persons who shall refuse to disclose the extent of their business interests to the appropriate supervising and examining department of the Central Bank, when required for the proper implementation of a provision of law or of a circular, memorandum or rule or regulation of the Central Bank. This disqualification shall be in effect as long as the refusal persists;
- d. Directors, excluding non-resident directors, representing foreign equity interests, who have been absent for whatever reasons for more than fifty per cent (50%) of all meetings, both regular and special, of the board of directors for a two-year period reckoned from the date of the election of director concerned. This disqualification applies for purposes of the succeeding election;
- e. Those who are delinquent in the payment of their obligations as defined in Sections 1.c and 1.d hereof. This disqualification shall operate as long as the delinquency persists;
- f. Persons found by the Monetary Board to have wilfully failed or refused to comply with any banking law,

order, instruction or regulation issued by the Monetary Board or by the Governor, or to have committed irregularities or to have conducted business in an unlawful, unsafe or unsound manner as determined by the Monetary Board in any institution supervised by the Central Bank; and

g. Persons who have been dismissed for cause from any institution under the regulation or supervision of the Central Bank.

SEC. 4. *Qualifications of an Officer.* — An officer shall have the following minimum qualifications:

a. He shall be at least twenty one (21) years of age; and

b. He shall be at least a college graduate, or have at least five (5) years experience in banking or trust operations or related activities or in a field related to his position and responsibilities, or have undergone training in banking or trust operations acceptable to the appropriate supervising and examining department of the Central Bank: *Provided, however,* That trust officers shall have at least two (2) years of actual experience or training in trust operations or fund management or other related fields.

SEC. 5. *Persons Disqualified to Become Officers.* —

a. The above disqualifications for directors shall likewise apply to officers, except that stated in Section 3.d.

b. Except as may be authorized by the Monetary Board or the Governor, the spouse or a relative within the second degree of consanguinity or affinity of any person holding the position of Chairman, President, Executive Vice-President, or any position of equivalent rank, General Manager, Treasurer, Chief Cashier, or Chief Accountant is disqualified from holding or being elected or appointed to any of said positions in the same bank; and the spouse or relative within the second degree of consanguinity or affinity of any person holding the position of Manager, Cashier, or Accountant of a branch or extension office of a bank is disqualified from holding or being appointed to any of said positions in the same branch or extension office. In any case, this disqualification shall not affect those holding the position of Chairman as of May 13, 1976 and those holding any of the other said positions as of August 18, 1973, until the expiration of their respective terms of office.

SEC. 6. *Other Existing Limitations and Restrictions.* — The foregoing qualifications and disqualifications for directors and

officers shall be in addition to those already required or prescribed by Republic Act No. 337, as amended, and other existing applicable laws and regulations.

SEC. 7. *Effect of Non-Possession of Qualifications or Possession of Disqualification.* — Unless otherwise provided, directors and officers elected or appointed without possessing the qualifications abovementioned or possessed of any of the disqualifications as enumerated herein, shall vacate their respective positions immediately.

SEC. 8. *Bio-data of Directors and Officers.* — All banks shall submit to the appropriate supervising and examining department a bio-data of all of their incumbent directors and officers including a list of relatives of legal age within the second degree of consanguinity or affinity. Any subsequent change in the composition of the board of directors or officers, together with the bio-data of the new directors or officers shall be submitted within seven (7) days to the appropriate supervising and examining department.

SEC. 9. *Repealing Clause.* — This Circular supersedes Circular No. 356, as amended by Circulars No. 515, 530, 538 and 597, and Circular Letter dated December 7, 1976, and repeals, amends or modifies all other rules and regulations inconsistent herewith.

SEC. 10. *Effectivity.* — This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) G.S. LICAROS
Governor

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CIRCULAR NO. 644
December 27, 1978

**PRESCRIBING THE QUALIFICATIONS OF DIRECTORS
AND OFFICERS OF NON-BANK FINANCIAL
INTERMEDIARIES PERFORMING QUASI-BANKING
FUNCTIONS**

The Monetary Board in its Resolution No. 2058 dated December 15, 1978, approved the amendment, consolidation and reissuance of the rules and regulations on the qualifications and disqualifications of directors and officers of non-bank financial intermediaries performing quasi-banking functions:

SECTION 1. *Definition of Terms.* — As used in this Circular, the following terms shall have the following meanings:

a. Directors shall include (1) directors who are named as such in the Articles of Incorporation, and (2) directors duly elected in subsequent meetings of the stockholders of the non-bank financial intermediary performing quasi-banking functions, and (3) those elected to fill vacancies in the board of directors;

b. Officers shall include the President, Vice-President, General Manager, Secretary and others mentioned as officers of the non-bank financial intermediary performing quasi-banking functions, or whose duties as such are defined in the by-laws, or are generally known to be the officers of the financial intermediary (or of any of its branches/offices other than the head office) either thru announcement, representation, publication or any kind of communication made by the financial intermediary.

SEC. 2. *Qualifications of a Director.* — A director shall have the following minimum qualifications:

a. He shall be at least twenty six (26) years of age at the time of his election or appointment; and

b. He shall be at least a college graduate or have at least (5) years creditable experience or training in financial management, financial market operations, or related activities, or in a field related to his position and responsibilities.

SEC. 3. *Qualifications of an Officer.* — An officer shall have the following minimum qualifications:

a. He shall be at least twenty one (21) years of age at the time of his appointment or election; and

b. He shall be at least a college graduate or have at least (5) years creditable experience or training in financial management or related activities, or in a field related to his position and responsibilities.

SEC. 4. *Persons Disqualified to Become Directors or Officers.* — Without prejudice to the specific provisions of law prescribing disqualifications for directors and officers, the following persons are disqualified from becoming directors or officers:

a. Persons who have been convicted of a crime involving moral turpitude;

b. Persons found by the Monetary Board to have wilfully failed or refused to comply with any law, regulation, order or instruction of the Monetary Board or the Governor; or to have committed irregularities; or to have conducted business in an unlawful, unsafe or unsound manner as determined by the Monetary Board in any institution supervised or regulated by the Central Bank;

c. Persons removed by the Monetary Board pursuant to the provisions of Section 34-A of Republic Act No. 265, as amended, and other provisions of law or regulations;

d. Persons who shall refuse to disclose the extent of their business interests to the appropriate department of the Central Bank when required, for the proper implementation of a provision of law, or of a circular, rule, regulation or policy of the Central Bank;

e. Persons who have been dismissed for cause from any institution under the regulation or supervision of the Central Bank;

f. Persons who have derogatory information in PC, NBI or NISA records or are not issued any clearance by said agencies. For purposes of this Circular, an information is considered derogatory if it involves violation of any law, rule or regulation of the Government or any of its instrumentalities, and it adversely affects one's integrity or ability to discharge the duties of a director or officer;

g. Persons delinquent in the payment of their obligations: *Provided*, That such delinquency shall operate as a disqualification as long as a delinquency persists. Delinquency, for purposes of this subsection, shall mean that an obligation of a person with a non-bank financial intermediary performing quasi-banking functions, where he is a director or officer, or where he may be elected or appointed to said position, or at least two obligations with banks and with other non-bank financial intermediaries performing quasi-banking functions, under different credit lines or loan contracts, are past due for at least three (3) months.

Obligations shall include all borrowings from a bank or from a non-bank financial intermediary performing quasi-banking functions obtained by:

- (1) A director or officer for his own account or as the representative or agent of others or where he acts as a guarantor, indorser or surety for loans from such financial institutions;

- (2) The spouse or child under parental authority of the director or officer;
- (3) Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of, a director or officer;
- (4) A partnership of which a director or officer, or his spouse is the managing partner, or a general partner owning a controlling interest in the partnership; and
- (5) A corporation, association, or firm wholly-owned or majority of the capital of which is owned by any or a group of persons mentioned in Items g(1), g(2) and g(4).

h. Except as may be authorized by the Monetary Board or the Governor, any person who is a spouse or relative within the first degree of consanguinity or affinity of any person holding the position of Chairman, President, Executive Vice-President, General Manager, Treasurer, Chief Cashier, or Chief Accountant is disqualified from holding or being elected or appointed to any of said positions in the same financial intermediary; and any person who is the spouse or relative within the first degree of consanguinity or affinity of any person holding the position of Manager, Cashier, or Accountant of a branch, extension or agency office of a financial intermediary is disqualified from holding or being appointed to any of said positions in the same branch, extension or agency office. In any case, this disqualification shall not affect those holding said positions as of July 11, 1975 until the expiration of their respective terms of office.

SEC. 5. *Other Existing Limitations and Restrictions.* — The aforesaid qualifications and disqualifications for directors and officers shall be in addition to those already required by existing laws and other regulations.

SEC. 6. *Repealing Clause.* — This Circular supersedes Circular No. 556, as amended by Circular No. 598, and repeals, amends, or modifies other rules and regulations inconsistent herewith.

SEC. 7. *Effectivity.* This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) G.S. LICAROS
Governor

CIRCULAR NO. 645
December 27, 1978

PAST DUE ACCOUNTS OF FINANCIAL
INTERMEDIARIES

The Monetary Board, in its Resolution No. 2107 dated December 22, 1978, approved the following regulations on past due accounts of banks and of non-bank financial intermediaries performing quasi-banking functions:

SECTION 1. Past due accounts of a financial intermediary shall, as a general rule, refer to all accounts in its loan portfolio, all receivable components of trading accounts securities, and other receivables, as defined in the Manuals of Accounts for banks and non-bank financial intermediaries, which are not paid at maturity. The following shall be considered as past due:

(a) A loan or receivable payable on demand not paid upon written demand as required in Section 2 hereof or within one (1) year from date of grant or renewal, whichever comes earlier;

(b) A customer's liability — import bill (sight) outstanding after thirty (30) days from date of original entry;

(c) Bills purchased and other negotiable instruments not paid at maturity, or dishonored upon presentment for acceptance or payment, whichever comes earlier: *Provided, however,* That out-of-town checks lodged under "Bills Purchased (Domestic Bills Purchased-Clean)" shall be considered past due thirty (30) days from purchase;

(d) A temporary overdraft when such overdrawing or any change or item lodged under TOD is not cleared within fifteen (15) days from date of grant;

(e) The total outstanding balance of a loan or receivable payable in installments, in accordance with the following schedule:

<i>Mode of Payment</i>	<i>Installment in Arrears</i>
Monthly	10 or more
Quarterly	4 or more
Semestrally	3 or more
Annually	2 or more

Provided, however, That in the case of loans or receivables of rural banks payable in installments, only the loan installment or portion thereof shall be considered past due;

(f) Any due and unpaid loan installment or portion thereof, from the time the obligor defaults, for the purpose of determining delinquency in the payment of obligations as defined in Circulars No. 356 and 556, both as amended; and

(g) All items in litigation as defined in the Manual of Accounts for banks and non-bank financial intermediaries.

SECTION 2. Banks and non-bank financial intermediaries performing quasi-banking functions shall, in case of non-payment of a demand loan, make a written demand within six (6) months following the grant of such loan. The demand shall indicate a period of payment which shall not be later than six (6) months from date of said demand.

SECTION 3. No interest income shall be accrued on past due accounts. Interest on past due accounts shall be taken up as income only when actual payments thereon are received.

SECTION 4. Except as may be authorized by existing regulations on renewal, no loan shall be renewed or its maturity date extended unless the corresponding accrued interest receivable shall have been paid.

SECTION 5. Banks and non-bank financial intermediaries performing quasi-banking functions shall report the end-of-month level of their past due accounts and installments in arrears for less than the number indicated in Section 1(e), and for those using the accrual basis of accounting, the accrued interests thereon, subject to Section 3 hereof.

SECTION 6. Violations of this Circular shall be punishable under the provisions of Section 34 and/or 34-A of Republic Act No. 265, as amended.

SECTION 7. This Circular shall supersede Circular No. 342, Circular No. 487 and other rules and regulations inconsistent herewith.

SECTION 8. This Circular shall take effect six (6) months from the date hereof.

(SGD.) G.S. LICAROS
Governor

CIRCULAR NO. 646
December 29, 1978

Pursuant to Monetary Board Resolution No. 1975 dated November 24, 1978, the provisions of Section 1, Item 1.A.8 of Circular No. 635 dated October 12, 1978, is hereby amended so as to include chromite among the mineral products the covering papers of which are eligible for rediscounting by qualified commercial/thrift banks at 80% loan value, at a rediscount rate of 4% and with a maximum bank lending rate of 6% p.a. plus bank charges not exceeding 2%.

This Circular shall take effect immediately and all existing circulars, orders and/or instructions inconsistent herewith shall be deemed revoked and/or modified accordingly.

(SGD.) G.S. LICAROS
Governor

CIRCULAR LETTERS

BANGKO SENTRAL NG PILIPINAS
(*Central Bank of the Philippines*)
MAYNILA, PILIPINAS

CIRCULAR-LETTER
9 January 1978

TO: ALL FINANCING COMPANIES
ORGANIZED UNDER R. A. NO. 5980

Please be informed of the Monetary Board's clarification of
CB Circular Nos. 585 and 586 as follows:

- "a. The following transactions which are peculiar to financing companies with quasi-banking functions which involve the financing of consumer durable goods and capital goods shall be governed by R.A. No. 5980:
 - i. Financing of receivables and other evidences of indebtedness through discounting, factoring purchase or assignment; and
 - ii. Leasing of motor vehicles, heavy equipment and industrial machinery, business and office machines and equipment, appliances and other movable property; and
- "b. All other transactions of financing companies performing quasi-banking functions, such as the following:
 - i. Purchase of government securities for money market operations;
 - ii. Purchase of commercial papers or private securities to accommodate temporary liquidity or for money market purposes; and
 - iii. Purchase of government securities and private securities under resale agreements, certificates of assignment, and certificates of participation with recourse;

shall be governed by Central Bank Circular No. 586 and the Usury Law, whichever is applicable; and

x x x x x

"It is understood that finance companies which are not engaged in quasi-banking functions shall not be covered by Central Bank Circular Nos. 585 and 586."

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR LETTER
January 13, 1978

TO: ALL BANKS

The second paragraph of Item 1 (b), Part III of Circular No. 357, as amended, provides that:

"Total loan portfolio for this purpose shall refer to the sum of all loan accounts outstanding, gross of valuation reserves, as reflected in the bank's consolidated statement of condition (CBP 7-16-05, CBP 7-16-05B, CBP 7-19-04A and CBP 7-19-04B), excluding loans financed by special/specific funds from the government and government financial institutions, such as Masagana 99, to the extent of the outstanding liability on such funds."

This is to clarify that the phrase "loans financed by special/specific funds from the government and government financial institutions, such as Masagana 99 to the extent of the outstanding liability on such funds refers to the "total outstanding loans granted by the bank from the special/specific funds."

Accordingly, banks shall clearly indicate in their books loans granted from such special/specific funds.

(SGD.) JAIME C. LAYA
Deputy Governor

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CIRCULAR-LETTER
January 17, 1978

**TO: ALL NON-BANK FINANCIAL INTERMEDIARIES ENGAGED
IN QUASI-BANKING FUNCTIONS**

Please be informed that time deposits of more than seven hundred thirty (730) days are now eligible to form part of your

reserves for deposit substitutes on account of the lifting of the no-pretermination prohibition by Sec. 3 of Circular 585.

This supersedes our Circular-Letter dated 25 March 1977.

(SGD.) JAIME C. LAYA
Deputy Governor

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CIRCULAR-LETTER
January 20, 1978

TO: ALL BANKS

In accordance with the past practice, the cost of advertising of the National Savings for Progress Campaign for 1978 in the amount of P2 million shall be shared between the Central Bank and the banking community on a 50-50 basis, and shall be apportioned among the banks in the manner previously approved, as follows:

	Amount	Percent
Total Banks Share	P1,000,000	
Less: Share Specialized Gov't. Banks		
Development Bank of the Philippines	P40,000	
Land Bank of the Phil.	20,000	
Philippine Amanah Bank	4,000	64,000
	P936,000	100
Commercial Banks	608,400	65
Thrift Banks:	93,600	10
Savings Banks	46,800	5
Private Development Banks	28,080	3
Stock Savings & Loan Associations	18,720	2
Rural Banks	234,000	25

The individual assessment for commercial and thrift banks shall be in proportion to their individual total assets as of December

31, 1977, but in no case shall the share of each bank be less than ₱200 per semester. In the case of rural banks, each shall be directly assessed at ₱150 per semester for facility of computation and accounting.

To facilitate collection, the share of the banking community shall be debited against their demand deposit account with the Central Bank on a semestral basis (i.e., 50% for the 1st semester, 50% for the 2nd semester).

The schedule of such debiting shall be as follows:

Previous Unpaid Share	—	Feb. 28, 1978
Share for the 1st semester, 1978	—	May 31, 1978
Share for the 2nd semester, 1978	—	Oct. 31, 1978

(SGD.) G.S. LICAROS
Governor

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CIRCULAR-LETTER
January 31, 1978

TO: All Commercial Banks
Savings and Mortgage Banks
Development Banks
Specialized Government Banks

Subject: *Application to establish/relocate banking offices*

Effective immediately, applications for authority to establish additional banking offices as well as requests to transfer or relocate banking offices (except head offices) shall be accompanied, as minimum requirements, by the papers/documents/information specified hereunder.

I. *Establishment of additional banking offices*

Applications for authority to establish additional banking offices (branch, sub-branch, agency, extension office, savings agency, or money shops) shall be accompanied as a minimum by the following information/ papers/documents:

1. Certified true copy of the resolution of the bank's board of directors authorizing the application for the establishment of the additional banking office.
2. Sketch of the area to be served showing the following information:

- a) Proposed site of the banking office to be established.
 - b) Names and location of existing banking offices in the area, if any, and approximate distance from the proposed banking office.
 - c) Distance from Head Office or mother branch in case the additional banking office applied for is a savings agency or money shop.
 - d) Distance from market, in case of money shop.
3. Banking facilities and services to be offered.
 4. Business or economic justification stating facts and figures (such as population and growth of population, number and names of the principal industrial, commercial and other establishments within the effective area of operations, deposit and loaning potentials, traffic flow and other information) tending to show that the establishment of the proposed branch is justified on the basis of need therefor and that there is economic growth or reasonable prospects thereof in the area to be served.
 5. Projected Statement of Condition at the end of the first and second semesters of operations of the proposed branch.
 6. Statement of Estimated Earnings and Expenses for the first 12 months of operations.
 7. Organizational set-up of the proposed branch showing the proposed positions and annual pay for each; name, qualifications and experience of proposed manager and other officers.
 8. Bank premises and initial outlay.
 9. List of unutilized acceptance or other credit lines with foreign banks and/or the Central Bank of the Philippines.

II. *Transfer or relocation of banking offices (except head offices)*

Applications for authority to transfer/relocate banking offices shall be accompanied by the following information/papers/documents:

1. Certified true copy of the resolution of the bank's board of directors authorizing the transfer/relocation.

2. Sketch of the area of operations showing the present location and the new location and the approximate distance between the two as well as from other banking offices.
3. Reasons/justification for the transfer/relocation.
4. Estimated expenses to be incurred for the transfer which should include outlays for the new bank premises.

No application shall be accepted/processed by the DCSB unless all the minimum requirements accompany the corresponding applications.

Please be guided accordingly.

(SGD.) ANTONIO T. CASTRO, Jr.
Director

oOo

CIRCULAR LETTER NO. 01

February 8, 1978

**TO: All Offshore Banking Units (OBU's),
Foreign Currency Deposit Units (FCDUs), and Circular
343 Banks.**

We are furnishing herewith, for your information and guidance, [the replies of the Central Bank to various queries submitted by the Offshore Banking Units, Foreign Currency Deposit Units and Circular 343 banks relative to the implementation of CB Circulars 546, 547, and 343]

(SGD.) C.J. LOMOTAN
Deputy Governor

Attachment:

**COMPILATION OF OFFICIAL REPLIES TO VARIOUS
QUERIES OF OFFSHORE BANKING UNITS (OBUs);
FOREIGN CURRENCY DEPOSIT UNITS (FCDUs) AND
CIRCULAR 343 BANKS AS OF JANUARY 17, 1978]**

A. OBUs (CIRCULAR 546)

- Q. Can an OBU repatriate, on later dates including interest earnings in their foreign exchange equivalent the peso dividends received on equity investments with local corporation in the Philippines invested in the form of money market placements or deposited with local banks?
- A. The investment of the peso dividends received on the equity investments with local corporations may be made only in equity investments in accordance with the pro-

visions of Central Bank Circular 365 and the repatriation of the same is also governed by the same Circular.

- Q. If an OBU should want to keep the foreign currency equivalent of the dividends under "Circular 343" deposits with any local bank, can an OBU swap these dollar deposits for local currency with the Central Bank? If so, what is the maximum swap period that an OBU can avail of ?
- A. The foreign exchange proceeds derived from the peso dividends are eligible for deposit under the provisions of Central Bank Circular 343 or 547. An OBU, however, is not allowed to swap subject deposit for pesos with the Central Bank.
- Q. Are OBUs authorized to use in their operations the proceeds of peso checks payable to a non-resident corporation in foreign exchange representing directors' fees for secondees and dividend checks on their equity investments in local corporations.
- A. The OBUs are authorized to use in their operations the proceeds of peso checks payable to a non-resident corporation in foreign exchange representing directors' fees for secondees and dividend checks on their equity investments in local corporations, provided:
1. the peso proceeds of the above-mentioned checks are transferred to the Manila OBU, net of withholding/ applicable taxes;
 2. the transfers of the aforesaid peso proceeds are reported to the Foreign Exchange Department immediately after they are received by the Manila OBU; and
 3. proof of registration of the equity investments of the non-resident corporation in said local corporations is submitted together with the report referred to No. 2 above.
- Q. Are OBUs allowed to collect the remittance charges of the handling commission in Philippine Pesos ?
- A. No, an OBU is prohibited to deal in the local currency.
- Q. Suppose an OBU advises/confirms an Export Letter of Credit wherein the accountee is a non-resident and the beneficiary is a resident and the charges are for the

account of the beneficiary. Can the OBU collect the relative charges from the resident in Philippine Pesos?

A. No, an OBU is prohibited to deal in the local currency.

Q. Are members of the diplomatic corps and the Asian Development Bank in Manila regarded as non-residents?

A. In accordance with Section 1 (d) of PD 1034, members of the diplomatic corps and the alien employees/officials of the Asian Development Bank in Manila who are not permanent residents of the Philippines are considered non-residents for purposes of the Offshore Banking Regulations.

Q. May an OBU deal with non-FCDU banks in foreign exchange other than in Peso ?

A. OBUs dealing with 343 banks in foreign exchange other than in peso shall fall under the latter's authority in accordance with the provisions of R.A. 6426 as implemented by Cir. 343. Under Section 8 of Cir. 343 implementing Section 4 of RA 6426, 343 banks have to deposit at least 15% of the foreign exchange received as deposits with the Central Bank and the balance (85%) may be utilized by the banks, as follows:

a) for further deposit with the Central Bank, if desired;

b) for deposit with foreign banks;

c) for granting foreign currency loans which shall be in short-term maturities;

d) for investing in foreign currency securities which are of short-term maturities and are readily marketable; and

e) for swapping for pesos with the Central Bank if existing policies allow swaps.

However, in the case of Item (c), existing Central Bank guidelines limit the loans of 343 banks to export-oriented and/or BOI registered enterprise under RA 6135.

Q. Are OBUs authorized to transfer to their books loans granted to Philippine residents presently booked in their overseas branches or affiliate companies abroad ?

A. Yes, OBUs are authorized to transfer to their books loans granted to Philippine residents presently booked in their overseas branches or affiliate companies abroad.

- Q. May OBUs transact freely with local commercial banks regardless of their authority to operate an FCDU without need to secure Central Bank authorization, i.e., normal international correspondent banking and interbank transactions which can be transacted in foreign currencies between local commercial banks and foreign banks located outside the Philippines ?
- A. Yes.
- Q. Can OBUs accept real estate mortgage security to secure their foreign currency loans to Philippine residents?
- A. The OBUs may at their option accept real estate mortgage security on their foreign currency loans to Philippine residents, subject, however, to the provisions of R.A. 133.
- Q. Does an OBU, duly licensed by the SEC, have the right to bring suit in Philippine courts ?
- A. As far as the OBU operations in the Philippines are concerned, the registration of an OBU with the SEC and the consequent grant of license to such OBU to transact business in the Philippines endow the OBU with the legal personality to sue in the Philippines.
- Q. Can OBUs issue guarantees in pesos covering facilities that local financial institutions may grant Philippine corporations ?
- A. Since under Section 7 (i) of Circular 546, OBUs are not permitted to issue guarantees for the account of residents and considering that OBUs are not allowed to deal in pesos, an OBU, therefore, cannot issue guarantees for the account of a resident borrower denominated in local currency.
- Q. Are OBUs authorized to deal with 343 banks in the foreign currency money market, i.e., taking in and placing of foreign currency deposits and in foreign exchange including pesos.
- A. OBUs may deposit with, and accept deposits from 343 banks in any foreign currency that forms part of the international reserves of the Philippines. Deposits of 343 banks with OBUs are eligible assets for purposes of complying with the foreign currency cover requirement imposed on 343 banks under Circular 343.
- Q. Can an OBU deposit or lend to its Head Office or other

branches more funds than what it borrowed from them and in so doing not violate the Central Bank requirement on net office funds?

A. The deposit with the Central Bank of at least US \$1 million as part of the required net office funds evidenced by a Certificate of Deposit issued by the Central Bank is substantial compliance with the requirement of Section 2 (d) of Circular 546, even if the Central Bank, FCDUs, 343 banks and other depositors shall subsequently deposit with the same OBU and deposit or lend such funds to its Head Office or other branches of its mother bank.

Q. Can the present Representative Office of a foreign bank continue operating as a separate office from its Offshore Banking Unit?

A. The Representative Office may be allowed to continue to operate in the Philippines provided that said office will not engage in transaction which, under existing regulations, are not authorized to be conducted by a representative office.

Q. May the US \$1 million net office funds which the OBU is required to hold at all times be in Deutsche Mark or in any other foreign currency acceptable as part of the Philippine international reserve equivalent to US \$1 M? May said funds be deposited with the Central Bank of the Philippines at the prevailing LIBO rate.

A. Yes.

Q. Can the Head Office deposit US \$1 million in net office funds with its OBU at market interest rates permanently assigned to said OBU for as long as the OBU license is in force?

A. Yes.

Q. Can the OBU deposit US \$1 million with the Central Bank of the Philippines at market interest rates and maintain said deposit for as long as the OBU license is in force or purchase foreign currency-denominated securities of Philippine Government or other assets as the Central Bank may approve from time to time?

A. The OBU may deposit the required US \$1 million of its net office funds with the Central Bank which shall issue its own certificates of time deposit renewable every six months at the prevailing LIBO rate, or the OBU may

purchase foreign currency-denominated securities of the Philippine Government or other assets as the Central Bank may approve from time to time.

Q. May the Representative for the Philippines of the Representative Office of a foreign bank concurrently act as the General Manager or Senior Officer of its Offshore Banking Unit?

A. The General Manager or Senior Officer of an Offshore Banking Unit may not, at the same time, be the Representative in the Philippines, since under Section 7 (c) of PD 1034, foreign personnel who may be assigned by any foreign bank to work in its offshore banking unit in the Philippines are required to be certified that they will work "exclusively" for its offshore banking unit in the Philippines.

Q. What are the "pertinent Central Bank regulations" referred to in Circular 546 Section 7i?

A. The regulations referred to are Circulars No. 281, 289 and 364, under which residents who receive foreign exchange are required to surrender the same to the banking system.

Q. Have the mechanics of trading between the OBUs and FCDUs been structured? Would this trading be separate from the current FOREX operations?

A. Trading between OBUs and FCDUs is decided according to conditions in the market and therefore, the mechanics on such trading is not pre-structured. Such trading is also separate from the "FOREX" trading where the foreign department, not the FCDU, of a banking institution can engage in, considering that the "FOREX" trading predominantly involves foreign currency/peso transactions.

Q. Can an OBU who is not doing any foreign financing for a local business entity charge an arrangement fee for peso financing arranged for the firm with local financial institutions?

A. No, since OBUs are not authorized to transact with residents in Philippine pesos.

Q. May an OBU extend to residents a U.S. dollar facility for short-term financing to cover the resident's import requirements?

A. Subject to prior Central Bank approval, an OBU may

extend foreign currency loans and advances to residents under Section 9 of Circular 546. However, availments by residents of short-term financing are covered by Section 10 of Circular 343. It is understood that the importation to be financed shall be in accordance with the existing import rules and regulations of the Central Bank.

Q. May an OBU handle peso checks for the account of a foreign bank, which peso checks represent Directors' fees for secondees and dividend checks on equity investments in domestic enterprises and which were used to be handled by the Representative Office of the Mother Bank before and are now being sent to the newly licensed OBU?

A. No. An OBU may not receive and book the above-mentioned peso checks. The foreign bank or its authorized representative will have to apply with the Foreign Exchange Department of the Central Bank of the Philippines for authority to purchase out of the above-mentioned peso checks the equivalent foreign exchange from the commercial banking system either for remittance abroad or for deposit with the OBU.

Q. May the OBU maintain its books of accounts in US Dollars?

A. Yes.

Q. May an OBU in its advertisement on international newspapers omit the word "offshore"?

A. The advertisement in Philippine newspapers should contain the words "Offshore Branch"; whereas advertisement in international newspapers is a matter beyond Central Bank jurisdiction.

Q. Could an OBU receive income in Pesos, i.e, the rental of an office space to another party?

A. Under existing regulations, the OBUs are not allowed to engage in the transaction of renting out office premises.

Q. Can a Manila OBU open a letter of credit on behalf of a client at Head Office, as commission agent of a Philippine exporter, in favor of the Philippine exporter for the net amount due to the exporter (less commission or mark-ups due the commission agent) against a letter of credit opened in favor of the Manila OBU by a foreign buyer?

A. A Manila OBU cannot open an import L/C for the account

of a commission agent in favor of a Philippine Exporter. An OBU may, in accordance with Section 8 of Cir 546, open an import L/C for the account of a foreign importer, in favor of a Philippine exporter, for the full value of export shipment (inclusive of mark-ups and commissions, if any), provided, however, that negotiation of the L/C shall be made with a Philippine bank or with any of the full local branches of foreign banks (Citibank, HSBC, BA, & TCB).

Q. Can the foreign importer establish a letter of credit in favor of the Philippine exporter, specifying a breakdown of the amounts, one for the commodity value and another for the indent commission?

A. Yes, the foreign importer can open an import letter of credit in favor of the Philippine exporter that specifies a breakdown for the commodity value and the commissions on the transaction.

Q. Assuming that a Philippine exporter gets a letter of credit from a foreign buyer, specifying a gross figure, can the exporter remit to the commission agent commissions due them, and if so what is the maximum commission allowed by the Central Bank?

A. Philippine exporters are allowed to remit to their commission agents abroad commissions due the latter, provided the application for remittance is supported by proof of export shipment; copy of the commission agreement, and proof that the proceeds of exports have been repatriated into the Philippines. Generally, commissions shall not exceed 5% of the FOB value of the export shipment. The Export Department of the Central Bank may be consulted on the specific export commission that may be allowed for the export shipments to any foreign buyer.

B. *FCDUs (CIRCULAR 547)*

Q. Are FCDUs authorized to transfer to their books loans granted to Philippine residents presently domiciled in their overseas branches?

A. Yes.

Q. Can FCDUs deposit foreign currencies with merchant banks or investment banks abroad who are authorized to accept U.S. Dollar deposits and is it an eligible cover, as mentioned in Cirs. 343 and 547?

A. Yes. An FCDU can deposit foreign currency with foreign merchant or investment banks which are authorized under their license to accept foreign currency deposits and that said foreign currency deposits are eligible asset cover under Section 8 of Circular 343.

Q. Will the FCDU be considered as a distinct and separate unit from its "mother bank"? If so, may the FCDU lend/borrow from its "mother bank" as is done in Singapore and would such transactions be considered as lending or borrowing from residents?

A. Under Section 1-d of Circular 547, an FCDU is described as "an accounting unit or department in a local bank or in an existing local branch of foreign banks." It will be seen from such description that the FCDU is essentially a mere separate accounting unit within a banking institution but is nonetheless an integral part of such institution. Under the circumstances, an FCDU cannot be considered as a distinct and separate entity from its "mother bank" and, therefore, there can be no situation where the FCDU can lend to or borrow from its "mother bank."

Q. Will the FCDUs be subject to existing lending limitations (except the Usury Law) on loans to non-residents?

A. Yes, the lending operations of FCDUs to non-residents are subject to the limitations prescribed under pertinent provisions of R.A. No. 337, as amended.

Q. In view of the worldwide practice of its Head Office and foreign branches, may a particular FCDU be allowed to revalue every 20th of each month?

A. Yes, provided, however, that Item 4 of the Instructions in preparation of reports can CBP 6-40.03 and CBP 6-40.04 which is for reporting, and not necessarily for booking purposes, should be followed.

C. *CIRCULAR 343*

Q. Can the foreign currency depositor whose deposit with a Circular 343 bank of FCDU was used as hold-out on a peso loan to a local borrower, in the event of the latter's default and consequent forfeiture by the bank of his deposit, convert into US dollars any peso amounts subsequently collected from the borrower and have the foreign exchange proceeds deposited in the said depositor's name with any local bank authorized under Circular 343/547?

- A. Yes, any peso amounts collected from the borrower corresponding to the principal and interest of said deposit may be converted into US dollars and the foreign exchange proceeds be deposited with any local bank authorized under Circular 343/547. These payments may also include payments for interest from the date of forfeiture of the deposit up to the date of repayment, damages, opportunity losses and attorney's fees, for which the borrower may file an application with the Central Bank to purchase foreign exchange to cover such payments.

This authority shall continue until a final court judgment is obtained and collection from the borrower is effected.

oOo

CIRCULAR LETTER
February 23, 1978

TO: ALL COMMERCIAL BANKS

In connection with the prescribed interbank loan transfer tickets under Memorandum to All Commercial Banks dated 25 January 1978, commercial banks may continue to use their old unused call ticket forms for interbank loan transactions, provided the same are modified to reflect all the desired information required under Memorandum to All Commercial Banks dated 25 January 1978.

It is further clarified that the prescribed format and the information required to be contained in the said forms are minimum requirements and that banks may include additional information therein as may be required or necessary.

Two copies of the transfer tickets shall be submitted to the Central Bank Accounting Department for each interbank loan transaction.

Please be guided accordingly.

(SGD.) JAIME C. LAYA
Deputy Governor

CIRCULAR-LETTER
February 24, 1978

**TO: ALL AUTHORIZED AGENT BANKS AND AUTHORIZED
FOREIGN EXCHANGE DEALERS**

For the information of all concerned, please stamp on all unused CBORs in your possession the following:

**"Reconversion shall be allowed only if made within
fifty-nine (59) days from date of issue hereof."**

For immediate compliance.

(SGD.) B. D. RUIZ
Director

oOo

CIRCULAR-LETTER
March 1, 1978

**TO: ALL BANKS AND NON-BANK FINANCIAL INTERMEDIARIES
PERFORMING QUASI-BANKING FUNCTIONS**

The Monetary Board, in its Resolution No. 324 dated February 24, 1978, approved the following procedural requirements to imple-
ment Circulars No. 356 and 556, both as amended, on the disqualifi-
cation of directors and officers of banks, and non-bank financial
intermediaries performing quasi-banking functions;

1. Upon the establishment of any of the grounds for disqualification in Circulars No. 356 and 556, both as amended, the office of the disqualified director or officer shall immediately become vacant, except in the case of delinquency in the payment of obligations wherein the director or officer concerned shall be given a grace period of thirty (30) days after such ground for disqualification has been established.

2. All cases of disqualification shall immediately be reported to the Board of Directors of the institution concerned. If the ground for disqualification is delinquency in the payment of obligations, the report shall be made at the expiry of the thirty-day grace period mentioned in Item 1 above. The Board shall act on the report not later than the following Board meeting. Within seventy-two (72) hours thereafter, the corporate secretary shall report to the Governor of the Central Bank through the appropriate supervising and examining department the name of the director or officer involved, the ground for his disqualification and the action taken by the Board.

3. When the ground for disqualification ceases to exist, the director or officer concerned shall be eligible to become director or officer of any institution regulated or supervised by the Central Bank only upon prior approval of the Governor of the Central Bank.

4. Any person or entity violating the provisions of this Circular-Letter shall be subject to the penalties provided under Section 34 and 34-A of Republic Act No. 265, as amended.

This Circular-Letter shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

oOo

SUPERVISION AND EXAMINATION SECTOR

CIRCULAR-LETTER March 1, 1978

**TO: ALL SAVINGS BANKS, PRIVATE DEVELOPMENT BANKS,
STOCK SAVINGS AND LOAN ASSOCIATIONS, AND
RURAL BANKS**

SUBJECT: *[Accounting for Deposits Made with PNB Branches/
Agencies for Legal Reserve Requirements]*

In connection with the implementation of the Manuals of Accounts prescribed under CB Circular No. 522, the following clarifications on the above subject are hereby issued:

1. If the deposit for legal reserves is made with a PNB branch/ agency authorized to maintain CHIT accounts the "Due from the Central Bank of the Philippines" account shall be debited.
2. If the deposit for legal reserves is made with a PNB branch/ agency *not* authorized to maintain CHIT accounts, the "Due from the Philippine National Bank" account (now revised to "Due from the Philippine National Bank (For Legal Reserves)" account) shall be debited. Upon receipt of Central Bank advice/ statement showing that the said deposit has already been received/credited to the account of the depositing bank, the "Due from the Philippine National Bank" account shall be closed to "Due from the Central Bank of the Philippines" account.

Attached, for ready information and guidance, is a list of PNB branches/agencies authorized to maintain CHIT accounts.

(SGD.) JAIME C. LAYA
Deputy Governor

Attachment:

***LIST OF PNB BRANCHES/AGENCIES AUTHORIZED
TO MAINTAIN CHIT ACCOUNTS***

NORTHERN LUZON REGIONAL OFFICE

1. Appari Branch, Aparri, Cagayan
2. Tuguegarao Branch, Tuguegarao, Cagayan
3. Laoag Branch, Laoag City (Ilocos Norte)
4. Vigan Branch, Vigan, Ilocos Sur
5. Santiago Branch, Santiago, Isabela
6. Baguio Branch, Baguio City (Mt. Province)
7. Bayombong Branch, Bayombong, Nueva Vizcaya
8. Dagupan Branch, Dagupan City (Pangasinan)

CENTRAL LUZON REGIONAL OFFICE

9. Balanga Branch, Balanga, Bataan
10. San Jose Branch, San Jose, Nueva Ecija
11. Baliuag Branch, Baliuag, Bulacan
12. Cabanatuan Branch, Cabanatuan City (Nueva Ecija)
13. San Fernando Branch, San Fernando, Pampanga
14. Angeles Branch, Angeles, Pampanga
15. Tarlac Branch, Tarlac, Tarlac
16. Olongapo Branch, Olongapo City (Zambales)

SOUTHERN LUZON & BICOL REGIONAL OFFICE

17. Batangas Branch, Batangas City (Batangas)
18. Sta. Cruz Branch, Sta. Cruz, Laguna
19. Lucena Branch, Lucena City (Quezon)
20. Calapan Branch, Calapan, Oriental Mindoro
21. Daet Branch, Daet, Camarines Norte
22. Naga Branch, Naga City (Camarines Sur)
23. Legaspi Branch, Legaspi City (Albay)
24. Sorsogon Branch, Sorsogon, Sorsogon

EASTERN VISAYAS REGIONAL OFFICE

25. Tagbilaran Branch, Tagbilaran, Bohol
26. Ormoc Branch, Ormoc City (Leyte)

27. Tacloban Branch, Tacloban City (Leyte)
28. Dumaguete Branch, Dumaguete City (Negros Oriental)

WESTERN VISAYAS REGIONAL OFFICE

29. Kalibo Branch, Kalibo, Aklan
30. Roxas Branch, Roxas City (Capiz)
31. Iloilo Branch, Iloilo City (Iloilo)
32. Bacolod Branch, Bacolod City (Negros Occidental)
33. Puerto Princesa Branch, Puerto Princesa, Palawan

MINDANAO REGIONAL OFFICE

34. Bukidnon Branch, Malaybalay, Bukidnon
35. Cotabato Branch, Cotabato City (North Cotabato)
36. General Santos Branch, General Santos City (South Cotabato)
37. Iligan Branch, Iligan City (Lanao)
38. Cagayan de Oro Br., Cagayan de Oro City (Mis. Oriental)
39. Ozamis Br., Ozamis City (Misamis Occ.)
40. Surigao del Norte Br., Surigao City (Surigao del Norte)
41. Zamboanga Br. Zamboanga City (Zamboanga del Sur)
42. Pagadian Br. Pagadian City (Zamboanga del Sur)
43. Dipolog Br., Dipolog City (Zamboanga del Sur)
44. Butuan Br., Butuan City (Agusan del Norte)

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CIRCULAR LETTER

March 1, 1978

TO: ALL COMMERCIAL BANKS
SAVINGS AND MORTGAGE BANKS
DEVELOPMENT BANKS AND
SPECIALIZED GOVERNMENT BANKS

For the guidance of all concerned, hereunder are the [clarifications and/or corrections on certain accounts/items] in the transitory report forms:

1. CBP-7-16-01-C (for private development banks)

Under item 4: "(Item 3d minus Item 2c)" should be "(Item 3e minus Item 2c)".

2. CBP-7-16-02 (for savings and mortgage banks)

Under item 4 c: "Due from foreign banks" should be "Due from Local Banks — Foreign Currency."

All other items introduced in the transitory form which are not applicable for savings and mortgage banks should be ignored.

3. CBP-7-16-02-A (for private development banks)

Private development banks with "Due from Head Office/Branches/Agencies" and "Due to Head Office/Branches/Agencies" accounts should insert these accounts between items 7 and 8 after item 15, respectively, in the form. .

4. CBP-7-16-05 (for savings and mortgage banks)

Under item 4c: "Due from foreign banks" should be "Due from Local Banks — Foreign Currency."

All other items introduced in the transitory form which are not applicable for savings and mortgage banks should be ignored.

5. CBP-7-16-05.3 Breakdown of Borrowings/Funds Obtained

Fourth column: "Over 6-8%" should be "6-8%".

6. CBP-7-16-05.9 Schedule of Reconciling Items etc.

The deadline: "Fifteen (15) banking days after end of quarter" should be "Twenty five (25) banking days after end of quarter" per DCSB Circular Letter dated April 12, 1976.

7. CBP-7-16-07 Statement of Capital Required and Capital Accounts. etc.

Item II.6: "Total capital accounts per books" should be "Total capital accounts" since Appraisal Increment Reserve account, if any, is excluded from the total capital account for purposes of this report form.

8. CBP-7-16-22 Consolidated Report of Required and Available Reserve Against Deposit Substitutes

A last column for "Daily Average" should be added.

9. CBP-7-16-27 Consolidated Report on the Utilization of Loanable Fund etc.

Item A.4: "Total Capital Accounts"³, footnote³ should be ignored since the reciprocal account of appraisal increment in the asset side under item 6. "Bank Premises, Furniture, Fixtures & Equipment — net" has no such footnote.

Item A.8: "Other Assets (Excl. Inter-office float items)" should be "Other Assets" only as in the basic form.

Item B.: "Excess (Deficiency) (a-b)" should be "Excess (Deficiency) (b-a)".

Item A.5 "Total Collections from Loan Portfolio Outstanding as of May 31, 1975 (Schedule "A")" should be extended only to the last column "Increase (Decrease)" and not to the first and second columns.

Please be guided accordingly.

(SGD.) JAIME C. LAYA
Deputy Governor

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CIRCULAR LETTER
March 15, 1978

TO: ALL AUTHORIZED AGENT BANKS

In accordance with existing regulations, please be reminded that *all transactions* involving foreign currency loans, including short-term credits and revolving credits duly approved by the Central Bank, whether obtained from FCDU's, and/or OBU's and/or other offshore sources, should be reported monthly under CBP 6-24-21 (revised August, 1977).]

Strict compliance herewith is enjoined.

(SGD.) A.Z. TIANGCO
Acting Director

oOo

CIRCULAR - LETTER
March 27, 1978

TO : ALL BANKS

Quoted below for your guidance is the text of a memorandum dated March 10, 1978 from the Secretary of the Department of Agrarian Reform, to wit:

"SUBJECT: [Certificates of Land Transfer used as collateral for loans]

It is requested that action be taken to notify all banks within your jurisdiction that prior to acceptance of the Cer-

tificates of Land Transfer (CLT) issued pursuant to PD No. 27 as collateral for loans, a certification be first secured from the offices of the Register of Deeds to the effect that the CLT being presented is still valid. These offices are the official repository of these records and, therefore, are the only ones in a position to provide this service.

(SGD.) CONRADO F. ESTRELLA
Secretary"

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

oOo

CIRCULAR LETTER
April 18, 1978

TO: ALL PRIVATE DEVELOPMENT BANKS

In its Resolution No. 450, dated March 17, 1978, the Monetary Board approved the following amendment to the provisions of Circular Letter dated October 22, 1974:

Existing private development banks located within the Greater Manila Area and fringes thereof as well as those in first class A cities shall have a minimum paid-up capital of P4 million each; those in first class B and C, second and third class cities shall have a minimum paid-up capital of P3 million each; while those in fourth and fifth class cities and in other places shall have a minimum paid-up capital of P2 million each.

For purposes of classification of cities, Sections 1 and 3 of Presidential Decree No. 465 dated May 20, 1974 shall be followed, thus:

"SECTION 1. Classification of Provinces and Cities. —

x x x

x x x

- (a) First Class — The provinces and cities that have obtained an average total revenue of three million pesos or more per annum;
- (b) Second Class — The provinces and cities that have obtained an average total revenue of one million five hundred thousand pesos or more but less than three million pesos per annum;

- (c) **Third Class** — The provinces and cities that have obtained an average total revenue of one million pesos or more but less than one million five hundred thousand pesos per annum;
- (d) **Fourth Class** — The provinces and cities that have obtained an average total revenue of five hundred thousand pesos or more but less than one million pesos per annum; and
- (e) **Fifth Class** — The provinces and cities that have obtained an average total revenue of less than five hundred thousand pesos per annum.

“SECTION 3. Sub-classification of first class provinces and cities.

x x x

x x x

- (a) **First Class-A.** The provinces and cities that have obtained an average total revenue of seven million pesos or more per annum;
- (b) **First Class-B.** The provinces and cities that have obtained an average total revenue of five million pesos or more but less than seven million pesos per annum; and
- (c) **First Class-C.** The provinces and cities that have obtained an average total revenue of three million pesos or more but less than five million pesos per annum.”

Please be guided accordingly.

(SGD.) G.S. LICAROS
Governor

oOo

CIRCULAR-LETTER
May 10, 1978

In connection with the implementation of Memorandum to Authorized Agent Banks No. 1 dated January 3, 1975, the following regulations are hereby promulgated to take effect immediately:

- (1) All unutilized Central Bank Import Authorities (CBIAAs) dated up to December 1977 have ceased to be valid and should not be honored for importations under all modes of payments;

- (2) All CBIA's issued beginning May 1978 shall have a validity period of ninety (90) days from the date of authority, after which they are rendered null and void;
- (3) For letters of credit opened up to March 31, 1978 through the use of CBIA's dated up to December 1977, no further extension of expiry dates shall be allowed;
- (4) These regulations shall cover importations of all types of synthetic yarns and fibers.]

Please be guided accordingly.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR-LETTER
May 19, 1978

**TO: ALL NON-BANK FINANCIAL INTERMEDIARIES ENGAGED
IN QUASI-BANKING FUNCTIONS**

In connection with the implementation of Circular Nos. 510 and 553 (regulations on minimum trading lot rule and reserve requirement against deposit substitutes), please be informed that deposit substitutes should be recorded in the books at their respective principal amounts, and reported accordingly, regardless of whether the interest thereon has been paid in advance or not.

Please be guided accordingly.

(SGD.) JAIME C. LAYA
Deputy Governor

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CIRCULAR-LETTER
May 23, 1978

TO ALL AUTHORIZED AGENT BANKS:

Effective immediately, [authorized agent banks may give due course to requests for authority to import printing machines, spare parts and supplies, subject, however, to pertinent Central Bank rules and regulations]

Please be guided accordingly.

(SGD.) A. Z. TIANGCO
Acting Director

oOo

CIRCULAR-LETTER
May 24, 1978

Further to our Circular-Letter of May 10, 1978 which pertains to the implementation of Memorandum to Authorized Agent Banks No. 1 dated January 3, 1975, please be advised that Central Bank Import Authorities for all types of synthetic yarns and fibers issued from January to April 1978 shall remain to be valid up to July 31, 1978 after which they are rendered null and void.

All other provisions of the aforementioned Circular-Letter shall remain in full force and effect.

Please be guided accordingly.

(SGD.) J. N. BAUTISTA
Director

oOo

CIRCULAR-LETTER 02
June 1, 1978

TO: ALL FCDUs and 343 BANKS

In order to facilitate the reconciliation of reports submitted by reporting banks on Interbank Indebtedness Among Philippine-Based Participating Banks, starting for the month of May, 1978, the names of Philippine-Based Participating Banks shall be indicated in Appendix E (CBP 6-40.03.5) of the Consolidated Statement of Assets and Liabilities.

All 343 banks are hereby required to accomplish Appendix E (CBP 6-40. 03. 5) to be attached to the Consolidated Statement of Assets and Liabilities for Transactions Under Circular 343.

FCDUs with outstanding 343 accounts shall accomplish a separate Appendix E to show their interbank transactions under Circular 343 with Philippine-Based Participating Banks and the

Central Bank, the same to be attached to the Consolidated Statement of Assets and Liabilities for Transactions Under Circular 343.

(SGD.) R. G. CRUZ
Special Assistant to the Governor

oOo

CIRCULAR-LETTER
June 5, 1978

TO: ALL AUTHORIZED AGENT BANKS

In conjunction with Memorandum to Authorized Agent Banks No. 41 dated June 5, 1978 implementing Monetary Board Resolution No. 742 dated May 12, 1978 enjoining authorized agent banks not to give due course to import applications for "Sheet Glass" (SEP 664. 32-00) unless accompanied by a certification from the Department of Industry, attention is invited to the fact that there are importations being permitted by banks in violation of Memorandum to Authorized Agent Banks dated October 20, 1969. Accordingly, said banks are advised that any further importations approved in violation of the abovestated new MAAB No. 41 dated June 5, 1978 shall be dealt with severely.

To assure compliance with above, release of all shipments involving the item in question under any mode of payment, including no-dollar, shall be cleared with the Current Imports and Commodity Classification Office (CICCO).

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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CIRCULAR-LETTER
June 20, 1978

TO: ALL BANKS

All banks shall post at all times in a conspicuous place on the premises of its head office and each of its branches and other banking offices a list of acquired assets together with the corresponding lowest price at which the bank is willing to sell such property. However, this requirement shall not relieve the banks from the re-

quirement under Sections 25 and 34 of Republic Act No. 337, as amended, to dispose of such acquired assets.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR-LETTER
June 21, 1978

TO: ALL FOREIGN CURRENCY DEPOSIT UNITS (FCDUs)
PURSUANT TO CIRCULAR NO. 547 and AUTHORIZED
AGENT BANKS UNDER CIRCULAR NO. 343

For the purpose of effectively monitoring loans granted and secured by hold-outs on foreign currency deposits pursuant to abovesited Central Bank Circulars, you are hereby enjoined to submit to the Central Bank, thru the Management of External Debt and Investment Accounts Department (MEDIAD), within fifteen (15) banking days from date hereof, a report of all foreign currency/peso-denominated loans outstanding as of May 31, 1978 and monthly thereafter, within five (5) banking days after end of the month covered by the report, which are secured by hold-outs on foreign currency deposits, showing the following information:

1. Name of Borrower (with indication as to whether CB-certified or BOI-registered export-oriented)
2. Date loan granted
3. Maturity date of loan
4. Amount of loan
5. Type of loan (whether foreign currency or peso loan)
6. Specific purpose/s of the loan

accompanied by copies of pertinent deposit hold-out and credit agreements.

Moreover, pursuant to Circular No. 569, as amended, governing foreign borrowings, and Section 5 of Circular No. 547, all foreign currency loan applications under the provisions of the latter circular with repayment periods exceeding 360 days, including those intended for firms which are Central Bank-certified export-oriented and/or registered with the Board of Investments under the Export Incen-

tives Act (RA 6135), with or without hold-out on foreign currency deposits, should be referred to the Central Bank, thru the Management of External Debt and Investment Accounts Department (MEDIAD), for prior approval.

Please be guided accordingly.

(SGD.) G.S. LICAROS
Governor

oOo

CIRCULAR-LETTER
June 22, 1978

**TO: ALL RURAL BANKS AND
SAVINGS AND LOAN ASSOCIATIONS**

Effective immediately, for your information and guidance, all issuances under the heading of memo circulars will henceforth be issued as circular-letters.

(SGD.) CONSOLACION V. ODRA
Director

oOo

CIRCULAR-LETTER
August 3, 1978

TO: ALL BANKS AUTHORIZED TO ACCEPT FOREIGN CURRENCY DEPOSITS UNDER THE PROVISIONS OF RA 6426, AS AMENDED AND PRESIDENTIAL DECREE NO. 1035

Effective immediately, the banks authorized to accept foreign currency deposits under the provisions of RA 6426, as amended, and PD 1035 and as implemented by Central Bank Circulars 343 and 547, are hereby instructed to advise their foreign currency depositors who are withdrawing funds for travel purposes to carry with them the certificate of withdrawal that the banks shall issue. The travellers shall present the certifications to the Customs and Central Bank personnel at the MIA, if requested.

The banks shall issue a uniform certification, as follows:

“

Date

TO WHOM IT MAY CONCERN:

This certifies that _____ whose
signature appears below has withdrawn today, _____ the amount
of _____ in cash (US\$ _____) and
Travellers Check (US\$ _____) against his/her
foreign currency account maintained with us.

The funds herein withdrawn are represented to be used in
connection with the depositor's foreign travel scheduled on or
about _____ 197____.

(Signature of Authorized Official
Over Printed Name)

(Signature of Depositor)''

Please be guided accordingly.

(SGD.) B. D. RUIZ
Director

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CIRCULAR-LETTER
August 7, 1978

TO: AUTHORIZED AGENT BANKS

Please be advised that effective immediately, all official matters
requiring action by the Invisible Payments Unit of the Foreign Ex-
change Department, particularly requests or applications to purchase
or remit abroad foreign exchange, shall be filed directly with said
Unit.

To facilitate/expedite action on such matters, Agent Banks
are hereby enjoined to see to it that all supporting documents re-
quired in our Minimum Documentation Guidelines dated October
20, 1977 are submitted together with applications/requests filed
with the Invisible Payments Unit, otherwise, the same will not be
received officially in the said Unit. However, if the document has
already been submitted with a previous application, the same should
be indicated in a Documentation Requirements Sheet which you are
required to prepare to be attached to the applications for different
purposes.

We wish to call your attention that only requests/applications which require referral to the Central Bank for clearance as enumerated on page 10 of the subject Guidelines should be referred to the Central Bank for prior approval.

Follow-up requests/applications will be entertained by the said Unit only during office hours in the morning.

Please be guided accordingly.

(SGD.) B. D. RUIZ
Director

oOo

CIRCULAR-LETTER
August 11, 1978

TO: ALL AUTHORIZED AGENT BANKS:

To implement the provisions of Memorandum to Authorized Agent Banks No. 41 dated June 5, 1978, attached herewith are the guidelines issued by the Ministry of Industry for the importation of "Glass Sheet of laminating quality suitable for the manufacture of safety glass" (SEP 664.32-00).

Please be guided accordingly.

(SGD.) J. N. BAUTISTA
Director

**GUIDELINES FOR THE IMPORTATION OF SHEET GLASS
OF LAMINATING QUALITY, SUITABLE FOR THE MANU-
FACTURE OF SAFETY GLASS (SEP 664.32-00)**

1. All laminators of sheet glass shall register with the Ministry of Industry by filling up the Company Information Form.
2. Companies wishing to import sheet glass shall file their application (s) for letter (s) of credit with their agent bank (s). The agent bank shall then forward the LC application together with the proforma invoice to MI for comments/approval. (See attached sample covering letter).
3. MI shall approve application to import sheet glass by sheet glass laminators only.

CIRCULAR LETTER NO. 04

August 15, 1978

TO: ALL FOREIGN CURRENCY DEPOSIT UNITS

Please be advised that the initial bi-monthly report (CBP Form 6-40-03 .1) required to be submitted under CB Circular 623 dated August 11, 1978, shall cover the outstanding assets and liabilities of the FCDUs as of August 31, 1978.

All concerned are hereby enjoined to submit their complete reports within the period specified in said circular, and in the case of the initial report on or before September 2, 1978.

Please be guided accordingly.

(SGD.) CESAR J. LOMOTAN
Deputy Governor

oOo

CIRCULAR-LETTER

August 16, 1978

TO: ALL FOREIGN CURRENCY DEPOSIT UNITS (FCDUs)
PURSUANT TO CIRCULAR NO. 547 AND AUTHORIZED
AGENT BANKS UNDER CIRCULAR NO. 343

In order to effectively monitor loans granted under Circular 343 and Circular 547, you are hereby enjoined to submit to the Central Bank, thru the Management of External Debt and Investment Accounts Department, within five (5) working days from end of reference month a monthly report on the following transactions:

1. All foreign currency loans regardless of maturity, i.e., including short-term and revolving credits, with or without holdouts on foreign currency deposits; and/or
2. All peso loans regardless of maturity which are secured by holdouts on foreign currency deposits,

using the attached prescribed Form CBP 6-24-23, with accompanying instructions for its accomplishment.

Reports on peso loans amounting to ₱100,000 and over, as well as *all* foreign currency loans, regardless of amount, should be accompanied by copies of the pertinent credit agreements, as well as certifications in the prescribed form attached to the effect that the outstanding loans secured by holdout are in fact covered by duly executed assignments on foreign currency deposits in amounts at

least equal to the said loan at any one time. The monthly status reports on such loans shall likewise be accompanied by similar certifications.

It is hereby understood that pursuant to Circular No. 569, as amended, governing foreign borrowings, and Section 5 of Circular No. 547, all foreign currency loan applications under the provisions of the latter circular with repayment periods exceeding 360 days, including those intended for firms which are Central Bank-certified export-oriented and/or registered with the Board of Investments (BOI) under the Export Incentives Act (RA 6135), with or without hold out on foreign currency deposits, should be referred to the Central Bank, thru the Management of External Debt and Investment Accounts Department (MEDIAD), for prior approval.

Applications of firms which are not Central Bank-certified export-oriented and/or registered with the BOI under RA 6135 covering short-term foreign currency loans not exceeding 360 days, with or without holdout on foreign currency deposits, shall likewise be submitted to the Central Bank, thru the said Department, for prior clearance.

This Circular-Letter amends Circular-Letter dated March 15, 1978 insofar as FCDU loans are concerned and supersedes Circular-Letter dated June 21, 1978. Accordingly, all transactions relating to loans FCDUs shall be exclusively reported on Form CBP 6-24-23 starting with the August, 1978 report.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

(Name of Reporting Bank)

Date

, 19

C E R T I F I C A T I O N

I hereby certify that the following loan accounts granted pursuant to Circular No. 343 and 547, outstanding as of

19 and which are secured by foreign currency deposit hold-outs are covered by duly executed assignments on foreign currency deposits in amounts at least equal to the said outstanding loans at any one time:

				<i>Assigned Foreign Currency Deposit Account No.</i>
		<i>A m o u n t</i>	<i>Date</i>	
<i>Borrower</i>	<i>Granted</i>	<i>Outstanding</i>	<i>Originally Granted</i>	

(Signature of Authorized
Officer over Printed Name)

Designation ——— Tel. No. ———

Note: This certification should be attached to Form CBP 6-24-23.

*Instructions for the Accomplishment
of Form CBP 6-24-23*

A. General

1. All transactions on the following loans should be reported under this form :
 - a) Foreign currency loans regardless of maturity, i.e., including short-term credits and revolving credits granted under the provisions of Circular No. 343/ 547, with or without holdouts on foreign currency deposits, and
 - b) Peso-loans regardless of maturity granted under the provisions of Circulars Nos. 343/ 547 with holdouts foreign currency deposits.
2. The report should be submitted within 5 banking days after end of reference month.
3. The report should be submitted even if there are no transactions during the month, with "NO TRANSACTIONS" indicated therein.
4. The report shall be submitted in *consolidated form*, i.e., head office, branches and agencies taken as a unit.
5. Fill in all columns for new loan accounts except Col. 6. For loan accounts previously reported out with transactions (renewal/repayment) effected during the month, fill in all columns except Cols. 2. 3 and 4.

B. *Specific*

1. Indicate after name of reporting bank, whether the bank is authorized under Circular 343 or Circular 547, e. g., "ABC Bank and Trust Co. authorized under Circular 547".
2. Borrower (Col. 1) - Enter name of borrower.
3. Firm/Project Classification (Col. 2) - Enter "CB-XO", if borrower is CB-certified export oriented under MAAB of February 20, 1970 or M.B. Res. No. 903 dated May 6, 1977.

Enter "BOI", if registered under BOI, affixing the corresponding Act under which borrower/project is registered, e. g., BOI-RA 5455 5186 or BOI-RA 6135.

4. Type of loan (Col. 3) - Enter "FC" for foreign currency loan or "Peso" for peso loan, as the case maybe. If the foreign currency loan is secured by holdout on foreign currency deposit, enter "FC-with holdout". Otherwise, enter "FC-without holdout". If the peso loan is funded by swap with Central Bank, enter "Peso-Swap CB".
5. Specific purpose of loan (Col. 4) - Enter specific utilization of loan proceeds, e.g., "to finance importation of equipment".
6. Granted (Col. 5) - Enter amount of loan granted or renewed in the original currency.
7. Repayment/s (Col. 6) - Enter amount of loan repayments during the month in the original currency.
8. Outstanding balance (Col. 7) - Enter amount of loan outstanding in the original currency as of end of month.
9. Date Granted (Col. 8) - Enter the date when loan was granted or renewed, as the case maybe.
10. Date of CB approval (Col. 9) - Enter date of Central Bank approval if the loan is subject to prior Central Bank approval under existing regulations.
11. Due Date (Col. 10) - Enter maturity date of loan.
12. Repayment Period (Col. 11) -Enter duration of the loan (days/months/years) reckoned from date granted up to maturity date. If loan has provisions for automatic renew-

al or roll over, enter the full term of the loan reckoned from original date granted up to the end of final roll over period.

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CIRCULAR - LETTER

August 16, 1977

TO: ALL OFFSHORE BANKING UNITS (OBUs) AND FOREIGN CURRENCY DEPOSIT UNITS (FCDUs)

In order to facilitate appropriate action on transactions contemplated under Circulars No. 546 and 547 both dated November 26, 1976, governing the operations of OBUs and FCDUs, respectively, the following guidelines are hereby issued:

1. Transactions expressly and freely authorized under said Circulars shall be within the jurisdiction of the Foreign Exchange Department.
2. Transactions relating to borrowings, extension of foreign currency loans/advances, and/or investments in foreign currency-denominated debt instruments requiring prior Central Bank approval shall be referred to the Management of External Debt and Investment Accounts Department for appropriate action.
3. Other transactions not expressly authorized under the aforementioned Circulars, shall be referred to the Office of the Deputy Governor, International Operations Sector.
4. General Supervision over the OBUs and FCDUs shall be the responsibility of the Foreign Exchange Department.

Please be guided accordingly.

(SGD.) CESAR J. LOMOTAN

Deputy Governor

oOo

CIRCULAR-LETTER

August 24, 1978

TO: ALL BANKS, STOCK SAVINGS AND LOAN ASSOCIATIONS AND NON-BANK FINANCIAL INTERMEDIARIES PERFORMING QUASI-BANKING FUNCTIONS

[Pursuant to Central Bank Circular No. 572 and its accompanying Guidelines, both as amended by Central Bank Circular Nos.

582, 601 and 616] it is hereby suggested that you inquire into the citizenship of your borrowers to assure yourselves that whenever you extend peso loans to foreign firms the above cited Circular and Guidelines are complied with.

(SGD.) CARLOTA P. VALENZUELA
Special Assistant to the Governor, SES
Member, IACDBFF

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CIRCULAR-LETTER NO. 05
September 4, 1978

TO: CIRCULARS 343 AND 547 BANKS

In order to facilitate [the reconciliation of reports submitted by reporting banks on Country Classification of Inter-Bank and Non-Bank Funds, all authorized 343/547 Banks shall accomplish Appendix C (CBP 6-40-03 .3), starting for their reports as of August 31, 1978 which shall be attached to the Consolidated Statement of Assets and Liabilities.

FCDUs (547 Banks) shall likewise accomplish the same form for their outstanding 343 transactions.

It is also reiterated that all spaces provided for under Additional Information from Item Nos. 24 to 27 of the Consolidated Statement of Assets and Liabilities for Transactions under Circulars 343/547 (CBP 6-40.03) be properly accomplished by filling up the said spaces with the corresponding amounts. Where there is no transaction for any of the said items, the word "none" shall be indicated.

Please be guided accordingly.

(SGD.) B. D. RUIZ
Director

oOo

CIRCULAR-LETTER
September 8, 1978

TO: ALL BANKS

The Monetary Board in its Resolution No. 1514 dated September 8, 1978, issued the following internal control procedures for dormant/inactive accounts to supplement Circular Letter To All Banks dated November 29, 1976 on Minimum Internal Control Standards.

These internal control procedures for dormant/inactive accounts are essentially summarized from standard works on the subject and are designed to maintain a uniform system of handling dormant accounts and to strengthen their corresponding security measures.

It is suggested that the Board of Directors and Management of banking institutions review existing internal control procedures on dormant/inactive accounts in their respective banks and adopt and implement such improvements as may be found essential.

I. Definition of dormant or inactive accounts.

- a. Current and savings accounts showing no activity (deposit or withdrawal) for a period of one year should be classified as dormant accounts.

II. Procedure for Classification

- a. Initially, review all deposit ledgers and segregate accounts that fall under I.a above. At the end of every quarter thereafter, review all deposit accounts and segregate those that became dormant during the quarter just ended.

III. Internal Control Measures

- a. As a matter of policy, banks should exert all efforts to prevent checking and savings accounts from becoming dormant. When it becomes apparent that an account is inactive, a short letter should be sent to the depositor encouraging him to use his account.

In case of checking accounts, the bank should exert effort to assure itself that the monthly statement of accounts reach the depositors. If the depositors cannot be located, the following steps should be undertaken:

1. Check any significant changes or fluctuations in the depositors account balance over a period of time with emphasis on accounts with decreasing balances.
 2. Verify apparent reactivation entries, represented either by deposit or withdrawal, that appears to have prevented the account from being classified as dormant.
 3. Investigate any obvious alteration of the ledger records.
- b. Segregated dormant accounts should be placed under joint custody of two responsible officers/employees.

- c. A separate ledger control for dormant accounts should be maintained.
- d. Signature cards for dormant accounts should also be segregated from active files and held under joint custody.
- e. Entries to dormant account ledgers should be verified and approved by a designated officer. His initials should be placed next to the entry on the ledger sheet.
- f. All inquiries on dormant accounts should be coursed to one officer who should obtain sufficient identification from the inquirer to assure that he is entitled to the information.
- g. A trial balance of dormant account ledgers should be taken periodically and balanced with the general control account by an employee other than the bookkeeper.
- h. Dormant or inactive accounts should be verified directly with depositors.
- i. All transactions affecting dormant accounts should be subject to audit by the internal auditor.
- j. A quarterly report on deposit accounts transferred to dormant should be rendered to bank management.

This Circular Letter shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR-LETTER
September 20, 1978

TO: ALL COMMERCIAL BANKS

As approved under Monetary Board Resolution No. 1448 dated August 25, 1978, inter-regional clearing operations shall be conducted in Visayas and Mindanao through the facilities of seven (7) Central Bank Regional Clearing Units located in Bacolod, Cagayan de Oro, Cebu, Davao, Iloilo, Tacloban and Zamboanga Cities. Checks received by banks/branches in one clearing area against banks/branches located in the other clearing areas may be presented for clearing subject to the rules and regulations embodied in CB Circular No. 580, series of 1977.

In accordance with the attached schedule of delivery, pick-up and returns, implementation shall be made in three (3) phases as follows:

- Phase 1:* Initially on November 2, 1978, Cebu and Davao Regional Clearing Units will accept demands against banks located in the other designated clearing areas in Visayas and Mindanao. On the other hand, Iloilo, Bacolod, Tacloban, Cagayan de Oro and Zamboanga Regional Clearing Units will accept demands against Cebu and Davao Regional Clearing Units only.
- Phase 2:* On December 1, 1978, Iloilo and Bacolod Regional Clearing Units will start accepting demands against banks in all other clearing areas. At the same time, Tacloban, Cagayan de Oro and Zamboanga Regional Clearing Units will start accepting demands against banks in Iloilo and Bacolod.
- Phase 3:* On January 2, 1979, all the designated seven (7) Regional Clearing Units shall accept demands against banks in the other six (6) Regional Clearing Units.

Items for Clearing

Items for clearing shall consist of demand items consisting of checks and/or other documents drawn against banks/branches located in each of the following clearing areas:

<i>Clearing Centers</i>	<i>City Within the Clearing Areas</i>
Bacolod City	None
Cagayan de Oro City	"
Cebu City	Mandaue
Davao City	None
Iloilo City	"
Tacloban City	"
Zamboanga City	"

Settlement of Clearing Balances

Clearing balances of participating banks/branches shall be debited or credited, as the case may be, to the clearing accounts of their respective head offices in Manila in the afternoon of the same day the demands are presented for clearing.

Miscellaneous

Checks for inter-regional clearing shall be sealed in special brown envelopes measuring 7" x 11" with the destination "To Cebu"

or "To Zamboanga", etc. as the case may be, properly stamped in bold letters of not less than one (1) inch. The left side of the envelope shall bear one inch stripe according to the following color scheme:

<i>Regional Clearing Unit</i>	<i>Color</i>
Bacolod	Green
Cagayan de Oro	White
Cebu	Blue
Davao	Red
Iloilo	Violet
Tacloban	Royal Blue
Zamboanga	Gray

All participating banks shall keep photocopies/microfilms of checks presented for clearing.

Any loss or damage arising from theft, pilferage, or other causes affecting items in transit shall be for the account of the sending bank/branch, institution or entity concerned.

(SGD.) ELENA C. ZALAMEA
Chief Accountant

Attachments:

1. Schedule of delivery, pick-up and return
2. Guidelines for Inter-Regional Clearing

GUIDELINES FOR INTER-REGIONAL CLEARING

1. For an orderly process of exchanges, each bank/branch representative shall deposit the demand envelopes against drawee banks/branches located in other Regional Clearing areas in the respective compartments assigned to each of the participating banks/branches.

2. The bank/branches representatives shall sort the demand envelopes received according to regional destination. These shall be posted as Debits (Items Received) in their respective Clearing Statements to be prepared in six (6) copies for distribution, as follows:

- a) Original Deposit Liabilities &
Reconciliation Division,
Accounting Department,
Manila

- b) Duplicate Sending bank
- c) Triplicate Head Office of drawee Bank/
branch
- d) Quadruplicate Drawee Bank/Branch
- e) Quintuplicate Receiving CB Clearing Unit
- f) Sixtuplicate File of Sending Clearing Unit

3. The Regional Clearing Officer shall sort according to bank/branch and regional destination the demand envelopes delivered for account of banks without branches in his clearing area. Corresponding Debit Statement (Clearing Form 4-B) shall be prepared in five (5) copies for distribution, as follows:

- a) Original Head Office of Drawee
Bank/Branch
- b) Duplicate DLRD, Accounting Depart-
ment, Manila
- c) Triplicate Drawee Bank/Branch
- d) Quadruplicate Receiving CB Clearing Unit
- e) Quintuplicate Sending CB Clearing Unit

4. The quadruplicate and quintuplicate copies of the Clearing Statements and the triplicate and quadruplicate copies of the Debit Statements shall be attached to the demand envelopes for shipment to the Regional Clearing Units concerned. In acknowledgment of receipt of inter-regional demands, clearing representatives of respective drawee banks/branches at destination shall sign these copies of the clearing statement or debit statement as the case may be.

5. In the Regional Clearing Unit where the demands are presented, the clearing statements and debit statements shall be summarized in a Clearing Advice (Form 4-B(a)). Together with triplicates of the clearing statements and originals of the debit statements, the original of the Clearing Advice shall be forwarded to Head Office of the Drawee Bank/branch thru the Clearing Operations Division, Manila. Upon receipt, the Clearing Advice shall be the basis for entries in the respective books of accounts of the banks concerned. The duplicate shall be forwarded to the Deposit Liabilities and Reconciliation Division and the third copy shall be retained by the Regional Clearing Unit.

6. The daily results of both local and inter-regional clearing shall be summarized in the consolidated clearing proof sheet. For purposes of transmission to the Head Office through the DEX machine, the results of clearing as reflected in the Consolidated Proof Sheet, shall be transferred into the condensed Clearing Form 4-C(a). Any exception or observation which requires immediate attention shall be explained in the memorandum portion.

7. In case of delay/cancellation of flights as confirmed by the PAL Office and/or non-arrival of clearing pouches according to

schedule, the clearing unit concerned shall immediately notify the sending clearing unit by telephone subject to confirmation in writing on the following day. The sending clearing unit concerned shall advise the demanding banks of such delay/cancellation/non-arrival of clearing pouch and that the prescribed schedule for returns shall be extended accordingly.

8. All shipments of demand envelopes shall be accompanied by the usual check list of manifest.

**INTER-REGIONAL CLEARING IN VISAYAS AND MINDANAO
(SCHEDULE OF DELIVERY-PICK-UP AND RETURN)**

From	To	Delivery to Clearing Units		Drawee Banks Pick-up		Return		Sending Banks Pick-up of Returns	
		Day	Time	Day	Time	Day	Time	Day	Time
Cebu	— Cagayan de Oro	1st	9:00 am	2nd	9:00 am	3rd	9:00 am	4th	4:00 pm
	Davao	1st	9:00 am	1st	4:00 pm	2nd	9:00 am	2nd	4:00 pm
	Zam- boanga	1st	9:00 am	2nd	9:00 am	3rd	9:00 am	4th	9:00 am
	Taclo- ban	1st	9:00 am	2nd	4:00 pm	3rd	9:00 am	4th	4:00 pm
	Bacolod	1st	9:00 am	2nd	9:00 am	3rd	9:00 am	4th	9:00 am
	Iloilo	1st	9:00 am	1st	4:00 pm	2nd	9:00 am	3rd	9:00 am
Bacolod	— Cebu	1st	9:00 am	2nd	9:00 am	3rd	9:00 am	4th	9:00 am
	Iloilo (M-T-W)	1st	9:00 am	1st	4:00 pm	2nd	9:00 am	2nd	4:00 pm
	Iloilo (Thurs.)	1st	9:00 am	1st	4:00 pm	2nd	9:00 am	3rd	9:00 am
	Iloilo (Friday)	1st	9:00 am	2nd	9:00 am	3rd	9:00 am	3rd	4:00 pm
	Cagayan de Oro	1st	9:00 am	2nd	9:00 am	3rd	9:00 am	5th	9:00 am
	Davao	1st	9:00 am	2nd	9:00 am	3rd	9:00 am	4th	9:00 am
	Zam- boanga	1st	9:00 am	2nd	9:00 am	3rd	9:00 am	4th	9:00 am
	Taclo- ban	1st	9:00 am	2nd	4:00 pm	3rd	9:00 am	5th	9:00 am
Cagayan de Oro	— Cebu	1st	9:00 am	2nd	4:00 pm	3rd	9:00 am	4th	9:00 am
	Davao	1st	9:00 am	2nd	9:00 am	3rd	9:00 am	4th	4:00 pm
	Zam- boanga	1st	9:00 am	3rd	9:00 am	4th	9:00 am	5th	9:00 am
	Bacolod	1st	9:00 am	3rd	9:00 am	4th	9:00 am	5th	9:00 am
	Iloilo	1st	9:00 am	3rd	9:00 am	4th	9:00 am	5th	9:00 am
	Taclo- ban	1st	9:00 am	3rd	4:00 pm	4th	9:00 am	5th	9:00 am

From	To	Delivery to		Drawee Banks		Sending Banks	
		Clearing Units		Pick-Up		Return Pick-up of Returns	
		Day	Time	Day	Time	Day	Time
Davao	— Cagayan de Oro	1st	9:00 am	2nd	4:00 pm	3rd	9:00 am
	Cebu	1st	9:00 am	1st	4:00 pm	2nd	9:00 am
	Iloilo	1st	9:00 am	2nd	9:00 am	3rd	9:00 am
	Zamboanga	1st	9:00 am	2nd	9:00 am	3rd	9:00 am
	Bacolod	1st	9:00 am	2nd	9:00 am	3rd	9:00 am
	Tacloban	1st	9:00 am	2nd	4:00 pm	3rd	9:00 am
Iloilo	— Bacolod (M-T-W)	1st	9:00 am	1st	4:00 pm	2nd	9:00 am
	Bacolod (Thurs.)	1st	9:00 am	1st	4:00 pm	2nd	9:00 am
	Bacolod (Friday)	1st	9:00 am	2nd	9:00 am	3rd	9:00 am
	Cebu	1st	9:00 am	2nd	9:00 am	3rd	9:00 am
	Davao	1st	9:00 am	2nd	9:00 am	3rd	9:00 am
	Cagayan de Oro	1st	9:00 am	2nd	9:00 am	3rd	9:00 am
	Tacloban	1st	9:00 am	2nd	4:00 pm	3rd	9:00 am
	Zamboanga	1st	9:00 am	2nd	9:00 am	3rd	9:00 am
		1st	9:00 am	2nd	9:00 am	3rd	9:00 am
Tacloban	— Cebu	1st	9:00 am	2nd	4:00 pm	3rd	9:00 am
	Cagayan de Oro	1st	9:00 am	2nd	9:00 am	3rd	9:00 am
	Davao	1st	9:00 am	2nd	4:00 pm	3rd	9:00 am
	Bacolod	1st	9:00 am	3rd	9:00 am	4th	9:00 am
	Iloilo	1st	9:00 am	2nd	4:00 pm	3rd	9:00 am
	Zamboanga	1st	9:00 am	2nd	9:00 am	3rd	9:00 am
Zamboanga	— Cebu	1st	9:00 am	2nd	9:00 am	3rd	9:00 am
	Davao	1st	9:00 am	2nd	9:00 am	3rd	9:00 am
	Cagayan de Oro	1st	9:00 am	2nd	9:00 am	3rd	9:00 am
	Bacolod	1st	9:00 am	2nd	9:00 am	3rd	9:00 am
	Iloilo	1st	9:00 am	2nd	9:00 am	3rd	9:00 am
	Tacloban	1st	9:00 am	2nd	4:00 pm	3rd	9:00 am

NOTE: The above schedule of pick-up and returns are subject to change in case of delay/cancellation of PAL flight/water transportation. However, all banks concerned shall be notified accordingly.

CIRCULAR-LETTER
October 5, 1978

TO: ALL BANKS AND NON-BANK FINANCIAL INTERMEDIARIES WITH QUASI-BANKING FUNCTIONS

Re: [Memorandum dated 5 September 1978 on interpretation of Circular No. 492 dated 2 January 1976 and Circulars No. 584-589 dated 24 December 1977]

Please correct the answer to Query No. 12 in subject Memorandum so that the circular cited towards the end of the sentence should read Circular No. 585.

(SGD.) R. V. TIAOQUI
Director

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CIRCULAR-LETTER
October 23, 1978

TO: ALL AUTHORIZED AGENT BANKS:

Authorized agent banks of the Central Bank are hereby advised that in view of the new procedure adopted by the Foreign Exchange Department of this Bank whereby all applications for the purchase of foreign exchange covering invisible transactions are numbered follow-ups by your representatives and/or your clients shall be by the number assigned to the applications. Please advise your clients accordingly to facilities servicing of their applications.

(SGD.) B. D. RUIZ
Director

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CIRCULAR LETTER TO ALL RURAL BANKS
November 7, 1978

SUBJECT: *Special Savings Deposits (Account)*

Under Memorandum Circular to All RBs No. 77-5, rural banks are authorized to credit Special Savings Deposit (SSDs) accounts of their borrowers up to 100% of their loans even if the same are only funded up to 50% from Special Time Deposits (STDs). These SSDs become fully funded only after such loans have been totally rediscounted with the Central Bank. This scheme is allowed only if the financing program is initiated from STDs and for which proper

safeguards and controls are instituted under the aforementioned circular.

Rural banks participating in the short term supervised credit program which do not utilize Special Time Deposit to initially fund their short term supervised loans *are not authorized* to set-up Special Savings Deposits account.

Any rural bank which violates this circular shall be automatically denied financial assistance from the Central Bank.

Please be guided accordingly.

(SGD.) G.S. LICAROS
Governor

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CIRCULAR-LETTER NO.06
November 9, 1978

TO: ALL FOREIGN CURRENCY DEPOSIT UNITS

Please be advised that a Foreign Currency Deposit Unit, acting at the request and in accordance with the instruction of its foreign correspondent bank, may issue letters of credit for a non-resident importer in favor of a non-resident exporter, and is authorized to make payment to or to the order of the non-resident exporter or to pay, accept or negotiate drafts/bills of exchange drawn under the letter of credit, provided, that the foreign correspondent bank making the request shall deposit sufficient foreign exchange with the FCDU opening the letter of credit to cover all drawing to be made thereunder.

Please be guided accordingly.

(SGD.) CESAR J. LOMOTAN
Deputy Governor

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CIRCULAR-LETTER
November 9, 1978

TO: ALL AUTHORIZED FOREIGN EXCHANGE DEALERS OF
THE CENTRAL BANK

It has been noted that some Authorized Foreign Exchange Dealers still do not comply with Circular-Letter dated July 28, 1978.

It is therefore reiterated that subject Circular which reads as follows be complied with immediately:

"For easy identification of the name of [the issuing Authorized Foreign Exchange Dealer, all Authorized Foreign Exchange Dealers are hereby enjoined to stamp on the Central Bank official receipt to be issued for every purchase of foreign exchange, the name of the establishment/firm/bank on the space provided on the receipt] and must be signed in full by the Cashier or Teller on the space also provided for that purpose."

Please be guided accordingly.

(SGD.) B.D. RUIZ
Director

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CIRCULAR-LETTER NO. 07
November 13, 1978

TO: ALL FCDUs and 343 BANKS

In order to ensure expeditious action in any legal action or proceedings abroad in respect to foreign currency deposit transactions where the services of an agent abroad are necessary to receive summons and/or service of process relative thereto, [the appointment or designation of such agent who may be a Philippine diplomatic official or Consul shall not be made in the form of a Power of Attorney executed by the designating/appointing bank in favor of the proposed agent,] but shall be made in the form of a proposal to designate or name the said diplomatic or Consulate official, and the proposal should be coursed through the Ministry of Foreign Affairs. In every case, the appointment or designation shall have the acceptance in writing of the proposed agent.

Please be guided accordingly.

(SGD.) CESAR J. LOMOTAN
Deputy Governor

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CIRCULAR LETTER TO ALL RURAL BANKS
November 14, 1978

NO. 78 - 26

Subject: *Loaning Capacities of Rural Banks for Supervised Credit as of June 30, 1978*

Attached herewith, for your information and guidance, is a self-explanatory Memorandum No. 14, Series of 1978, which was issued by Executive Director Domingo F. Panganiban of the National Food and Agriculture Council (NFAC) in connection with the implementation of Masagana 99, Maisan 77, Gulayan sa Kalusugan and other food production programs.

(SGD.) CONSOLACION V. ODRA
Director

Republika ng Pilipinas
Kagawaran ng Pagsasaka
PAMBANSANG PANGASIWAAN NG PAGKAIN AT PAGSASAKA
(NATIONAL FOOD AND AGRICULTURE COUNCIL)
Diliman, Lungsod ng Quezon

29 September 1978

MEMORANDUM:

No. 14:

Series of 1978

TO: All Provincial Action Committees (PACs)
All Provincial Program Officers
All RB/PNB/ACA Managers

FROM: Domingo F. Panganiban
Executive Director

SUBJECT: *[Loaning Capacities of Rural Banks for Supervised Credit as of June 30, 1978 (Masagana 99, Masaganang Maisan, Gulayan sa Kalusugan and other Food Production Programs).]*

Attached herewith for your information and reference are the loaning capacities of qualified rural banks in your province which should be utilized as a guide in allocating the number of hectares each rural bank could finance under the Masagana 99, M-Maisan and other food production programs. These figures were supplied by the Central Bank Department of Rural Banks and Savings and Loan Associations and were arrived at after computing each rural bank's past due ratio, risk asset ratio and past due obligations with either CB-DRBSLA or CB-DLC based on their June 30, 1978 financial statements. Since the figures are as of June 30, 1978, there is a possibility that the individual rural bank's financial condition may have improved after that date. Therefore,

adjustments in the bank's loaning capacity may be made, or for some rural banks not listed herein, they may become eligible to obtain financial assistance from the Central Bank at a later date.

The Provincial Action Committee Chairman should convene the PAC as soon as possible so that the matters of allocating financing targets among rural banks and the entry of other financing institutions like the PNB, ACA or other rural bank in areas which cannot be served by a rural bank for whatever reason, could be discussed before the onset of Phase XII (November 1978-April 1979). Likewise, all Provincial Program Officers are requested to sit down with all bank managers before submitting to NFAC their province' financing targets for Phase XII. PPOs who have already submitted Forms TA-4 to TA-9 have until October 15, 1978 to revise said forms if necessary so that their financing targets will jibe with the loaning capacities listed herein.

Rural Banks not included in the list are advised to get in touch with CB-DRBSLA in the same manner that all queries related to the loaning capacities should be directed to the said department.

Please be guided accordingly.

DOMINGO F. PANGANIBAN
Executive Director

**LOANING CAPACITIES OF RURAL BANKS UNDER
SUPERVISED CREDIT AS OF JUNE 30, 1978
(Amount in 000 ₱)**

PANGASINAN

1. Agno	₱ 1,685.905	13. Mabini	1,904.606
2. Alaminos	9,640.821	14. Malasiqui	1,740.155
3. Alcala	1,848.214	15. Manaoag	8,834.402
4. Balungao	1,871.892	16. Mangaldan	7,205.457
5. Bani	6,605.786	17. Pozorrubio	3,037.279
6. Bautista	1,145.484	18. San Fabian	2,846.355
7. Bolinao	618.754	19. San Nicolas	1,805.861
8. Bugallon	1,555.542	20. Sta. Barbara	2,726.538
9. Burgos	3,356.038	21. Sison	1,607.042
10. Infanta	1,566.070	22. Sual	50.691
11. Kaluyagan	13,210.625	23. Urbiztondo	1,160.114
12. Labrador	5,684.070	24. Basista	617.092

**LOANING CAPACITIES OF RURAL BANKS UNDER
SUPERVISED CREDIT AS OF JUNE 30, 1978 (Continued)**
(Amount in 000 ₱)

LA UNION

1. Agoo	₱ 2,094.915
2. Aringay	921.787
3. Bacnotan	2,658.505
4. Bannawag	3,363.563
5. Bauang	1,453.099
6. Luna	2,672.359
7. Naguilian	2,747.551
8. Rang-oy	1,381.034
9. San Gabriel	1,774.330

ILOCOS SUR

1. Cabugao	₱1,008.645
2. Galimuyod	993.252
3. Masingal	171.873
4. Santiago	1,598.156
5. Sta. Cruz	586.920
6. Sta. Lucia	143.115
7. Sta. Maria	1,279.608
8. Tagudin	2,166.656
9. Sudipen	433.605

BENGUET

1. Baguio	₱3,898.811
2. Tuba	643.565
3. Bontoc	1,513.731

ILOCOS NORTE

1. Batac	₱2,722.895
2. Paoay	1,737.710

ABRA

1. Bangued	₱1,763.349
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QUIRINO

1. Diffun	₱1,437.651
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NUEVA VISCAYA

1. Aritao	₱1,070.377
2. Bambang	2,036.881
3. Dupax	1,398.349
4. Solano	3,265.976

KALINGA APAYAO

1. Rizal	₱946.385
2. Tabuk	1,363.747

ISABELA

1. Magsaysay	₱2,033.049
2. Naguilian	1,131.552
3. San Isidro	397.210

CAGAYAN

1. Claveria	₱1,617.587
2. Sanchez-Mira	1,815.233

ZAMBALES

1. Cabangan	₱881.295
2. Candelaria	645.046
3. San Marcelino	2,439.625
4. Sta. Cruz	547.712
5. Subic	2,201.162

TARLAC

1. Mayantoc	₱485.014
2. Victoria	4,958.521
3. CRB Tarlac	1,856.619

PAMPANGA

1. Magalang	₱1,355.620
2. Porac	2,319.084
3. San Fernando	3,335.214
4. San Simon	514.360

NUEVA ECIJA

1. Aliaga	₱351.011
2. CBR of Nueva Ecija	15,441.326
3. Gapan	1,843.523
4. Palayan	832.975
5. Quezon	3,630.994
6. Sto. Domingo	2,108.505
7. Nampicuan	523.758

**LOANING CAPACITIES OF RURAL BANKS UNDER
SUPERVISED CREDIT AS OF JUNE 30, 1978 (Continued)**
(Amount in 000 ₱)

BULACAN

1. Angat	₱3,546.826
2. Calumpit	1,826.096
3. Del Pilar	127.222
4. F. Balagtas	1,458.746
5. Hagonoy	1,797.398
6. Malolos	4,005.546
7. Meycauayan	1,096.329
8. 2nd RB of Meycauayan	4,521.573
9. Norzagaray	1,130.236
10. Pandi	1,288.715
11. Plaridel	893.549
12. Pulilan	3,539.361
13. San Ildefonso	3,387.368
14. Sta. Maria	816.088

BATAAN

1. Abucay	₱ 2,686.072
2. Bagac	2,168.882
3. Balanga	2,027.048
4. Dinalupihan	514.489
5. Limay	2,409.453
6. Mariveles	1,922.382
7. Orani	10,867.994
8. Orion	414.179
9. Pilar	3,467.854
10. Samal	1,214.427

RIZAL

1. Angono	₱ 3,367.850
2. Antipolo	1,236.490
3. Baclaran	1,676.047
4. Binangonan	339.918
5. Caloocan	986.451
6. Capitol RB Q.C.	2,730.693
7. Katipunan	905.094
8. Las Piñas	145.094
9. Malabon	1,057.969
10. Mandaluyong	3,197.600
11. Marikina Valley	1,344.280
12. Morong	394.734
13. Navotas	1,154.430
14. Parañaque	1,104.964
15. Pasay	6,996.319

16. Pateros	388.694
17. Pililia	2,505.290
18. S.F. del Monte	7,808.983
19. San Mateo	725.931
20. 2nd RB Antipolo	1,236.490
21. Tanay	725.931
22. Zapote	309.621

QUEZON

1. Agdangan	₱924.396
2. Alabat	3,414.096
3. Atimonan	3,150.777
4. Calauag	2,952.196
5. Dolores	4,005.066
6. Guinayangan	47.337
7. Gumaca	852.442
8. Infanta	1,362.600
9. Lopez	963.055
10. Lucban	3,786.301
11. Ma. Aurora	1,118.532
12. Mauban	3,925.721
13. Mulanay	789.306
14. Padre Burgos	1,539.056
15. Pitogo	1,653.568
16. Plaridel	801.754
17. Real	1,348.846
18. Sampaloc	1,012.572
19. San Antonio	1,253.354
20. San Narciso	505.628
21. Sariaya	1,185.443
22. Tagkawayan	293.323
23. Tayabas	4,197.462
24. Tiaong	8,991.327
25. Unisan	2,535.341

ROMBLON

1. CBR Romblon	₱2,433.120
2. San Fernando	1,127.884

AURORA

1. Aurora	₱717.391
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PALAWAN

1. Brooke's Point	₱3,485.668
2. Coron	763.757

**LOANING CAPACITIES OF RURAL BANKS UNDER
SUPERVISED CREDIT AS OF JUNE 30, 1978 (Continued)**
(Amount in 000 ₱)

3. Narra	1,343.902	7. Lilio	884.076
MINDORO ORIENTAL		8. Los Baños	1,815.121
1. Baco	₱1,922.119	9. Luisiana	2,548.470
2. Bongabon	3,904.832	10. Magdalena	1,654.824
3. Calapan	2,754.841	11. Majayjay	789.583
4. Gloria	3,052.502	12. Nagcarlan	964.739
5. Mansalay	2,627.379	13. Pagsanjan	1,025.355
6. Pinamalayan	4,112.223	14. Pangil	1,119.065
7. Roxas	973.569	15. Rizal	1,876.437
8. San Teodoro	1,034.805	16. San Pablo	2,802.730
9. Socorro	1,425.358	17. Seven Lakes	2,975.878
10. Victoria	1,913.768	18. Siniloan	2,170.136
		19. Victoria	5,099.383
MINDORO OCCIDENTAL		MARINDUQUE	
1. Abra de Ilog	₱823.456	1. Gasan	₱613.531
2. Lubang	790.623	2. Mogpog	1,729.074
3. Sablayan	1,096.044	ALBAY	
CAVITE		1. Bacacay	₱882.863
1. Alfonso	₱1,124.133	2. Camalig	2,111.695
2. Amadeo	4,465.393	3. Daraga	1,049.568
3. Bacoar	3,361.905	4. Guinobatan	36.778
4. Cavite	2,973.867	5. Jovellar	4,031.458
5. Dasmariñas	3,957.782	6. Ligao	7,965.905
6. Gen.		7. Malilipot	900.657
Aguinaldo	3,012.301	8. Pio Duran	3,254.052
7. Gen. Trias	682.802	9. Polangui	1,604.087
8. Indang	89.547	10. Sto. Domingo	1,278.612
9. Magallanes	2,984.744	BATANGAS	
10. Maragondon	1,941.860	1. Agoncillo	₱2,129.843
11. Salinas	626.779	2. Alitagtag	2,344.111
12. Silang	1,286.737	3. Calaca	3,561.301
13. Tagaytay	862.798	4. Cuenca	2,136.097
14. Tanza	1,262.005	5. Farmers (Lian)	1,647.345
15. Sto. Niño	2,547.862	6. Lemery	5,968.214
LAGUNA		7. Lobo	3,104.084
1. Alaminos	₱2,442.808	8. Mabini	2,784.157
2. Biñan	1,907.852	9. Malarayat	9,963.377
3. Cabuyao	3,552.742	10. Malvar	4,378.599
4. Calamba	4,155.431	11. Mataas na	
5. Calauan	2,304.630	Kahoy	2,370.811
6. Canlubang		12. Nasugbu	2,475.392
Planters	2,690.853	13. Padre Garcia	2,045.997
		14. Rosario	3,025.117

**LOANING CAPACITIES OF RURAL BANKS UNDER
SUPERVISED CREDIT AS OF JUNE 30, 1978 (Continued)
(Amount in 000 ₱)**

15. San Jose	2,326,578	5. Libertad	1,289,872
16. San Pascual	729,334	6. Patingon	830,081
17. Sto. Tomas	4,805,917	7. Sibalom	844,540
18. Taal	675,532		
19. Tuy	2,365,556		
20. Batangas	3,303,457		

CAMARINES SUR

1. Baao	₱1,950,011
2. Bato	1,040,372
3. Bombon	1,366,839
4. Camaligan	921,010
5. Goa	626,490
6. Lagonoy	1,392,468
7. Libmanan, Mun. RB	1,206,613
8. Mag-arao	817,425
9. Nueva Caceres	2,747,992
10. Ocampo	1,219,251
11. Ragay	1,020,583
12. Rinconada	2,038,445
13. San Jose	1,644,622
14. Tinambac	860,794
15. Balatan	803,653

CAMARINES NORTE

1. Capalonga	₱1,461,724
2. J. Panganiban	1,213,823
3. Labo	2,046,699
4. Talisay	2,703,446

MASBATE

1. San Jacinto	₱1,353,982
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SORSOGON

1. Donsol	₱2,757,163
2. Pilar	2,083,580
3. Sorsogon	1,875,304

ANTIQUE

1. Barbaza	₱889,168
2. Belison	1,552,208
3. Gulasi	907,194
4. Hamtic	695,959

CAPIZ

1. Cuartero	₱1,193,487
2. Dao	1,548,458
3. Dumalag	3,269,296
4. Jamindan	1,339,540
5. Ma-ayon	1,439,788
6. Panay	3,246,990
7. Pilar	901,348
8. Sapián	792,904

NEGROS OCCIDENTAL

1. Isabela	₱1,899,855
2. La Carlota	2,581,099
3. Magallon CRB	1,765,455
4. San Carlos City	1,028,774
5. Taboso	1,264,663
6. Villadolid CRB	1,535,674

ILOILO

1. Alimodian	₱1,474,452
2. Banate	474,078
3. Barotac Nueva	2,512,457
4. Calinog	78,390
5. Dingle CRB	678,524
6. Guimbal	1,396,955
7. Iloilo	7,432,420
8. Leon CRB	851,766
9. Miagao	2,739,739
10. Passi	167,933
11. San Enrique	3,789,321
12. Sara	2,496,038
13. Tigbauan	693,316
14. Tubungan	1,431,378
15. Zarraga	2,499,196
16. Lemery	662,388

AKLAN

1. Altavas	₱1,751,132
2. Balete	1,217,443

**LOANING CAPACITIES OF RURAL BANKS UNDER
SUPERVISED CREDIT AS OF JUNE 30, 1978 (Continued)**
(Amount in 000 ₱)

3. Banga	2,317,436	13. Sibonga	385,753
4. Batan	730,917	14. Talisay	723,612
5. Ibajay	1,498,438	15. Larena	648,361
6. Libacao	959,479		
7. Madalag	839,619	NORTHERN SAMAR	
8. Makato	2,559,907	1. Catarman	₱885,930
9. Malinao	3,578,432	2. Lavezares	1,153,912
10. Tangalan	646,427		
BOHOL		SOUTHERN LEYTE	
1. Alicia	₱659,650	1. Hinundayan	₱422,400
2. Davis	580,053	LEYTE	
3. Inabanga	1,205,419	1. Albuera	₱525,966
4. Leon	480,053	2. Calubian	1,679,818
5. San Miguel	270,929	3. Hilongos	1,502,978
6. Sierra Bullones	1,440,771	4. Palo	937,598
7. Talibon	266,710	5. Palompon	1,684,055
8. Tubigon	1,627,425	6. Sogod	264,603
9. Ubay	1,735,725	7. Kananga	396,062
10. Carmen	843,958	8. Carigara	507,224
NEGROS ORIENTAL		WESTERN SAMAR	
1. Guihulngan	₱555,709	1. Basey	₱1,074,073
2. Mabinay	2,270,004	2. Calbayog	800,699
3. Manjuyod	2,209,013	EASTERN SAMAR	
4. Sta. Catalina	2,008,345	1. Borongan	₱5,228,120
5. Siaton	1,490,808	2. Guiuan	2,021,250
6. Tanjay	3,706,865	3. Dolores	1,253,257
7. Zamboanguita	517,471		
8. Pamplona	2,187,866	BASILAN	
9. Tayasan	983,599	1. Basilan	₱5,510,314
CEBU		ZAMBOANGA DEL NORTE	
1. Balambon	₱1,160,317	1. Dapitan, CRB	₱3,216,678
2. Barili	2,845,068	2. Sindangan	
3. Carmen	3,686,112	CRB	748,964
4. Compostela	2,165,340	3. Dipolog	2,447,202
5. Lapu-lapu	1,641,684	4. Piñon	851,218
6. Liloan	1,605,512	5. Rizal	1,695,905
7. Mandaue	578,232		
8. Minglanilla	1,267,527	AGUSAN SUR	
9. Naga	777,877	1. Talacogon	₱2,364,783
10. Oslob	808,599		
11. San Fernando	2,150,230		
12. Santander	1,071,209		

**LOANING CAPACITIES OF RURAL BANKS UNDER
SUPERVISED CREDIT AS OF JUNE 30, 1978 (Continued)
(Amount in 000 ₱)**

AGUSAN NORTE

1. Nasipit ₱3,332,822

BUKIDNON

1. Kalilangan ₱949,157

2. Manolo Fortich 657,657

3. Coop. RB Bukidnon 2,440,032

MISAMIS ORIENTAL

1. Gitagum ₱2,216,644

2. Initao 568,109

3. Laguindingan 494,529

4. Talisayan 1,961,209

5. Villanueva 1,004,462

MISAMIS OCCIDENTAL

1. Aloran ₱2,699,608

2. CRB Calamba 2,245,501

3. Jemenez 1,264,281

4. Oroquieta 1,928,714

5. Ozamis City 2,363,244

6. Plaridel City 832,493

7. Tangub 4,742,992

SURIGAO NORTE

1. Alegria ₱ 512,042

2. Loreto 748,781

SURIGAO SUR

1. Lianga ₱ 810,340

2. Tandag 3,221,754

DAVAO SUR

1. Malalag ₱3,981,404

2. Sulop 336,375

3. Santa Cruz 484,346

DAVAO ORIENTAL

1. Baganga ₱ 1,607,443

2. Mati 5,165,077

3. San Isidro 3,033,688

DAVAO NORTE

1. Babak ₱ 946,143

2. Kapalong 605,329

3. Mawab 450,686

4. Montevista 361,957

5. Panabo 2,511,207

SOUTH COTABATO

1. Kiamba ₱ 1,355,770

2. Malungon 845,294

3. Norala 3,309,258

4. Polomolok 1,993,269

5. South Cotabato
Coop. 6,282,311

6. Tantangan 867,444

NORTH COTABATO

1. Kabacan ₱ 844,787

2. Midsayap 2,771,194

LANAO SUR

1. Butig ₱ 839,860

2. Calawi-Bacolod
Grante 2,132,523

3. Pualas 1,200,256

4. Tugaya 1,469,192

CIRCULAR LETTER NO. 08
November 17, 1978

TO : ALL CIRCULAR 343/547 BANKS:

Our Office continues to receive reports (CBP 6.40.03 and CBP 6.40-03.1) from some provincial and Metro Manila branches of the banks covering their foreign currency transactions under the provisions of Circular 343, as amended by Circular 547. The attention of the banks is invited to the provisions of Section 16 of Circular 343 which read as follows:

“SEC. 16 . *Periodic Report*

x x x

x x x

- “b. For the purpose of the required reports, the principal office in the Philippines of the authorized bank and all its branches, agencies located therein shall be considered as a single unit”

Pursuant thereto only one (1) consolidated report shall be submitted by each bank. Accordingly, banks are requested to circularize to their respective branches to desist from submitting to this Office fragmented reports covering the foreign currency transactions of some of their provincial and Metro Manila branches.]

In addition, branches of Circular 547/343 banks should be advised to stop submitting to this Office weekly reports on CBP 6-22-51 and CBP 6-22-52 since these reports have already been superseded by CBP 6.40.03.

Very truly yours,

(SGD.) B.D. RUIZ
Director

oOo

CIRCULAR-LETTER
November 20, 1978

TO: ALL AUTHORIZED AGENT BANKS

Pursuant to Sections 4, 7, and 12b of Presidential Decree No. 1206 dated October 6, 1977 (creating the Department of Energy), this Bank has been directed to require as a condition for the remittance of foreign exchange payment of freight for crude hereafter imported into the Philippines a clearance from the Bureau of

Energy Utilization stating that PNOC and/or its affiliates and subsidiaries, pursuant to Letter of Instruction 400 (LOI 400), do not have the appropriate and/or required tonnage capability, whether owned, chartered or hired, to transport the crude for which payment remittance is requested.

Accordingly, you are hereby advised that all applications for forward exchange cover and/or applications for remittances of foreign exchange in payment of freight charges for crude oil imports of local oil companies shall be accompanied by such clearance before the remittance may be effected, effective immediately.

This supersedes our Circular-Letter to Authorized Agent Banks dated May 12, 1976.

(SGD.) CESAR J. LOMOTAN
Deputy Governor

oOo

CIRCULAR LETTER NO. 09
November 20, 1978

TO: ALL OFFSHORE BANKING UNITS

Please be advised that the Monetary Board, in its Resolution No. 358 dated March 3, 1978, authorized all approved Philippine offshore banking units (OBUs) to extend financial assistance (real estate, car, personal loans, etc.) in local currency to their Filipino officers and employees as part of their fringe benefit programs, subject to the following conditions:

1. The Filipino employees' loan program shall be financed through any of the following means:
 - a. By inward remittance of acceptable foreign currencies from the Head Office/other foreign-based branches, and/or
 - b. By assignment to the Manila offshore banking unit of the peso dividends due the Head Office/foreign-based branches otherwise remittable abroad under existing regulations; and
2. Regular monthly reports monitoring the various transaction under the financial assistance plans of offshore banking units for their Filipino officers and employees shall be submitted to the Central Bank. For this purpose, OBUs shall append the required report to CBP 6-40-01. The report shall indicate the name of the

Filipino-staff borrowers; the original amount of the loan; the outstanding balances; the purpose of the loan; the maturity period; and the interest rates, if any.

It is also hereby advised that OBUs may grant foreign currency loans to their expatriate officers without need of Central Bank approval.

(SGD.) CESAR J. LOMOTAN
Deputy Governor

oOo

CIRCULAR-LETTER
November 23, 1978

TO: ALL FOREIGN CURRENCY DEPOSIT UNITS (FCDUs)
AND CIRCULAR 343 BANKS

Circular-Letter dated August 16, 1977 prescribing guidelines ~~to~~ facilitate appropriate action on transactions contemplated under Circular Nos. 546 and 547 dated November 26, 1976 governing the operations of OBUs and FCDUs, respectively, is hereby amended] so that item 4 thereof shall read as follows:

4. General supervision over the OBUs, FCDUs, and Circular 343 banks shall be the responsibility of the Foreign Exchange Department. FCDU and Circular 343 accounts shall, however, be subject to the regular examination by the Department of Commercial and Savings Bank to enable it to discharge properly its duties and responsibilities as defined under Sec. 25 of R.A. No. 265 otherwise known as the Central Bank Act, provided, however, that in conducting such examination, the Department of Commercial and Savings Bank shall invite the Foreign Exchange Department to send its own examiner/s so that the examination of the FCDU/343 accounts shall be undertaken simultaneously, if possible.

Please be guided accordingly.

(SGD.) G.S. LICAROS
Governor

DEPARTMENT OF COMMERCIAL AND SAVINGS BANKS

TO : The Governor
Thru : The Deputy Governor
Supervision and Examination Sector

The Acting Special Assistant to the Governor
(Mr. Arnulfo B. Aurellano)

From : The Director

Subject : Supervision and Examination of FCDU and Circular
343 accounts

Date : November 8, 1978

This is in connection with the exercise of supervisory functions over foreign Currency Deposit Units (FCDUs).

Facts

1. Circular Letter dated August 16, 1977 prescribing guidelines for action on transactions contemplated under Circular Nos. 546 and 547 both dated November 26, 1976, governing the operations of OBUs and FCDUs, provides that general supervision over OBUs and FCDUs shall be the responsibility of the Foreign Exchange Department.

2. Under the distribution of supervisory functions over OBUs and FCDUs among the Foreign Exchange Department, MEDIAD and the DCSB approved by the Offshore Banking Committee, regular examination of commercial bank operations under Central Bank Circular Nos. 343 and 547 will be undertaken by the FED simultaneously, if possible, with the regular examination being undertaken by DCSB. Special examination of commercial bank operations under Central Bank Circular Nos. 343 and 547 will be done by FED.

The above-cited arrangement was adopted in view of the comments of the Director, Foreign Exchange Department in his memorandum for the Chairman, Offshore Banking Committee dated June 10, 1977 which reads in part as follows:

"1. The examination of FCDUs is a function primarily of the Foreign Exchange Department

Section 17 of Circular 343 vested unto the Director, Foreign Exchange Department, Central Bank of the Philippines, personally, or by deputy, the authority, from time to time, to look into the books of accounts and transactions of each authorized bank to verify the eligible cover required under these

regulations and the bank's compliance with the provisions of the law and these regulations.' Since the FCDU is an expanded Circular 343 depository bank, it follows therefore that the examination of FCDUs should likewise be a function primarily of the Foreign Exchange Department."

"2. There is a difference in the examination of FCDUs by the Foreign Exchange Department (FED) and the examination by the Department of Commercial and Savings Banks (DCSB).

The examination of an FCDU by DCSB will just be one part of a bank-wide examination. On the other hand, examination of the FCDU by the FED will be more concentrated and hence, more detailed and exhaustive.

The determination of the legality and propriety of transactions undertaken by the FCDUs can best be carried out by the FED because it is the department primarily charged with the responsibility of verification of compliance with and implementation of the law and regulations regarding Circular 343 depository banks and FCDUs. Furthermore, it is the department which can best appreciate the effectiveness of existing rules and regulations in attaining the desired objectives."

3. Section 9 of CB Circular 547 prescribing regulations to implement PD No. 1035 expanding the authority of certain depository banks under R.A. No. 6426 provides that the operations of FCDUs shall be subject to pertinent limitations provided for in R.A. No. 265, as amended, R.A. No. 337, as amended, and other existing rules and regulations of the Central Bank of the Philippines.

4. The Department of Commercial and Savings Banks is charged with the responsibility for supervision and examination of commercial, savings and development banks to assure not only the observance of the Central Bank Act (R.A. No. 265), the General Banking Act (R.A. No. 337), other pertinent laws, rules and regulations but also the maintenance of a sound banking system.

5. In accordance with a ruling of the Governor contained in his memorandum dated July 24, 1972 to the then Superintendent of Banks (copy attached) foreign currency deposits under Circular No. 343 and now expanded under Circular No. 547, and related accounts and the earnings and expenses arising therefrom are included in the bank's statement of condition, report of earnings and expenses and other reports except reports on CBP-7.16.01 (Report of Required and Available Reserves Against Deposit Liabilities) and CBP-7.16.09 (Report on Available Coverage Against Outstanding Import Letters of Credit).

6. The volume of FCDU operations has increased considerably during the recent months. The assets of the whole FCDU system amounting to P11.357 billion (\$1.543 billion) as of July 31, 1978 constituted 14.51% of the total assets of the commercial banking system of P78.284 billion. Outstanding loans of FCDUs as of the same date amounted to P7.950 billion (\$1.080 billion) representing 16.21% of the total loan portfolio of commercial banks of P49.047 billion. On the basis of these data, it is evident that the solvency and liquidity of the bank, as a whole, may be affected by the quality of the FCDU loans outstanding. Under existing laws, rules and regulations, all assets of a bank may be used to answer for the bank's FCDU liabilities in case the FCDU assets prove to be insufficient (due to losses) to answer for FCDU liabilities.

7. Inquiry with the Assistant Director of the Foreign Exchange Department in charge of OBU-FCDU Group disclosed that said Department has not as yet conducted examinations of FCDU operations except to determine volume of deposits and amounts of loans. It was also gathered that their supervision over FCDUs is limited to monitoring of the volume of transactions and to ascertaining that FCDU transactions are in accordance with Circular Nos. 343 and 547 and other foreign exchange regulations and that the FCDUs render all reports required.

Comments

There seems to be a need for a redefinition of supervisory functions of the Foreign Exchange Department over FCDUs with the end in view of giving DCSB explicit authority to examine FCDUs for the following reasons:

1. The thrust of the examination of FCDUs contemplated to be conducted by the FED would be the determination of whether or not the transactions thereof are in accordance with the provisions of Circular 547 as well as with other foreign exchange rules and regulations. Compliance with the provisions of the General Banking Act and rules and regulations relative thereto to which FCDU operations are also subject and the quality of the FCDU assets are not looked into by said Department.

2. As mentioned above, it is the function of the Department of Commercial and Savings Banks to assure the maintenance of a sound banking system which in turn depends on the financial condition of the individual banks. This responsibility requires a qualitative appraisal of the banks' assets and since FCDU assets constitute a significant portion of a bank's total assets, the quality of the FCDU assets will affect the financial condition of the bank as a whole.

Pursuant to the Governor's Memorandum to All Heads of Sectors, Departments and Offices dated August 21, 1978, the

Director of the Foreign Exchange Department has been consulted on this matter and in a memorandum dated October 24, 1978, he interposed no objection to our proposal for the amendment of Circular Letter dated August 16, 1977 to give DCSB explicit authority to examine FCDU and Circular 343 accounts of banks.

Recommendation

In view of the foregoing facts and comments, we recommend that a Circular Letter be issued to amend Circular-Letter dated August 16, 1977 (copy attached) so that item No. 4 thereof will read as follows:

- “4. General supervision over the OBUs and FCDUs shall be responsibility of the Foreign Exchange Department. FCDU accounts shall, however, be subject to the regular examination by the Department of Commercial and Savings Banks to enable it to discharge properly its duties and responsibilities as defined under Sec. 25 of R.A. No. 265 otherwise known as the Central Bank Act, provided, however, that in conducting such examination, the Department of Commercial and Savings Banks shall invite the Foreign Exchange Department to send its own examiner/s so that the examination of the FCDU/343 accounts shall be undertaken simultaneously, if possible.”

Attached is the proposed Circular-Letter for your consideration.

(SGD.) ANTONIO T. CASTRO, JR.

oOo

**CIRCULAR LETTER TO ALL RURAL BANKS AND STOCK
SAVINGS AND LOAN ASSOCIATIONS**

No. 78-36

December 6, 1978

Please be informed that rural banks and stock savings and loan associations are no longer required to submit the Monthly Report on the volume, utilization and outstanding balance of credit extended under the Palay Marketing Credit Program prescribed by CB Circular Letter dated August 12, 1977 and Memorandum Circular to All Rural Banks and Stock Savings and Loan Associations No. 77-97 dated October 11, 1977.

Please be guided accordingly.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

CIRCULAR LETTER
December 29, 1978

TO: ALL AUTHORIZED AGENT BANKS:

Enclosed herewith are copies of the Memorandum of Understanding dated December 15, 1978 concerning the current restriction on travel to Hongkong by Filipino residents, for your information and guidance as well as of your clients/customers.

(SGD.) B. D. RUIZ
Director

MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB NO. 1)
January 4, 1978

1340
①

In line with Monetary Board Resolution No. 2555 dated December 20, 1976 [approving the replacement of the Central Bank Commodity Classification Manual with the 1977 Philippine Standard Commodity Classification (PSCC) Manual, copies of which are available at cost at the National Economic and Development Authority (NEDA), Manila], all authorized agent banks are hereby instructed to use the said PSCC in classifying the commodity imports of their clients.

All inquiries for clarification and/or use, application and interpretation of the PSCC for commodity classification purposes shall be referred to the Current Imports and Commodity Classification Office of this Bank.

This memorandum shall take effect as of February, 1978.

Strict compliance herewith is enjoined.

(SGD.) G.S. LICAROS
Governor

oOo

MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB NO. 8)
January 10, 1978

1341
② A

Quoted hereunder is Circular Letter No. 20 dated November 29, 1977, of the Philippine Sugar Commission:

“REPUBLIKA NG PILIPINAS
KOMISYON NG ASUKAL SA PILIPINAS”
(Philippine Sugar Commission)
North Avenue, Diliman, Quezon City
P.O. Box 70, U.P., Diliman, Quezon City

CIRCULAR LETTER NO. 20
Series of 1977-78

November 29, 1977

SUBJECT: *STOP ORDER*

[A Stop Order is hereby imposed on the following “A” or export sugar quedan-permits, in the total quantity of TWO HUNDRED

SEVENTY-FOUR & 13/100 (274.18) PICULS } which were reported
lost:

<i>Quedan No.</i>	<i>Crop Year</i>	<i>Quantity, in piculs</i>
A50-8617	1970-71	200.00
-02211	1972-73	74.13

Mills, banks and individuals dealing in sugar are hereby warned not to make any transaction on the above-mentioned quedan permits. Agro-Industrial Development Co. of Silay-Saravia is hereby directed not to make any delivery of the sugar covered by said quedan-permits without prior approval of this Office.

(SGD.) JOSE A. UNSON
Vice-Chairman & Executive Officer"

Authorized Agent Banks shall be guided accordingly.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

(MAAB NO. 12)

January 27, 1978

1342

(3)

Effective March 1, 1978, Authorized Agent Banks are required to adopt the Revised Rules and Regulations dated November 25, 1977, attached, implementing Presidential Decree No. 930 dated May 16, 1976, simplifying export procedures and documentation,

Accordingly, the following standard export forms are hereby prescribed:

- 1) CBP-6-21-10 Revision 1977 — REPORT OF FOREIGN SALES
- 2) CBP-6-21-02 Revision 1977 — EXPORT DECLARATION (WITH FOREIGN EXCHANGE PROCEEDS)
- 3) CBP-6-21-03 Revision 1977 — EXPORT DECLARATION (WITHOUT FOREIGN EXCHANGE PROCEEDS)

Since these forms have been aligned and standardized in accordance with international documents and practices, Authorized Agent Banks shall reproduce them in the same size and print as the attached

samples to meet the needs of their exporter-clients. Likewise, the color sequence heretofore followed shall remain the same; i.e., green for duplicate, blue for triplicate, pink for quadruplicate, yellow for quintuplicate, and orange for sextuplicate, while the original as well as the additional copies required for the Export Declarations shall be white.

(SGD.) G.S. LICAROS
Governor

REVISED RULES AND REGULATIONS TO IMPLEMENT 1343
PRESIDENTIAL DECREE NO. 930
SIMPLIFYING EXPORT PROCEDURES AND DOCUMENTATION (4)

Pursuant to Section 2 of Presidential Decree No. 930 dated May 13, 1976, simplifying export procedures and documentation, the following revised rules and regulations amending the Rules and Regulations issued on December 10, 1976, are hereby promulgated.

RULE I. DEFINITION OF TERMS

For purposes of these rules and regulations:

- A. "*Authorized Agent Bank*" shall refer to banks delegated by the Central Bank of the Philippines the authority to register the Report of Foreign Sales (RFS) and issue the corresponding Export Declaration (ED) in accordance with Central Bank regulations.
- B. "*Authority to Load*" shall refer to the approval or permission granted by the Bureau of Customs for the loading of export goods on board the carrier specified in the covering Export Declaration. This authority shall be issued by the Chief, Export Coordination Division, for the Commissioner of Customs in the Port of Loading, on the space provided for at the back page of ED 3.
- C. "*Bulk Cargoes*" shall refer to cargoes that are not handled in packed units, like grains, fertilizers, oil, copra, etc.
- D. "*Certificate of Origin*" shall refer to the declaration of the exporter, certified by the Bureau of Customs, that his export product complies with the origin requirements specified for goods under the Generalized System of Preferences (GSP) in the case of Certificate of Origin Form A; or his export product is either wholly or partially of Philippine origin, in the case of a General Certificate of Origin.
- E. "*Certificate of Shipment*" shall refer to the document which the Bureau of Customs issues upon request of the exporter, or

his duly authorized representative, certifying to the nature of shipment of his export goods which could either be full shipment effected, short-shipment, shut-off or non-shipment.

- F. *"Commodity Clearance"* shall refer to the certificate issued by a government commodity office attesting that the quality of the export commodity is in accordance with established or applicable standards for such products.
- G. *"Containerized Cargoes"* shall refer to cargoes contained in container vans or other sealable transport units.
- H. *"Conventional Cargoes"* shall refer to cargoes that are handled in pieces, packages, crates, bags and the like.
- I. *"Established Standards"* shall refer to the standards set by the government commodity offices for export product.
- J. *"Export Declaration"* shall refer to the document prescribed by the Central Bank of the Philippines and the Bureau of Customs for every export shipment, whereby the exporter or his duly authorized representative declares under oath the full particulars of a shipment.
- K. *"PSCM License"* shall refer to the document issued by the Philippine Bureau of Products Standards allowing the use of Philippine Standard Certification Marks on certain products.
- L. *"Regular Exporter"* shall refer to the producer, manufacturer and/or trader of export products granted a periodic commodity clearance by the government commodity office concerned.
- M. *"Non-regular Exporter"* shall refer to one not granted a periodic commodity clearance.
- N. *"Report of Foreign Sales"* shall refer to the document prescribed by the Central Bank of the Philippines for the purpose of prompt reporting by the exporter of the full particulars of every export sale.
- O. *"Special Permit to Load"* shall refer to a special authority which the Bureau of Customs grants for the loading of transhipped cargoes for export, "Balikbayans" personal effects, shipments covered by Monthly General Export Declarations and other commodities where the Export Declaration requirements may be waived like ships' provisions and bunker fuel needs.
- P. *"Tax Clearance"* shall refer to the certificate issued by the Bureau of Internal Revenue (BIR) to exporters showing that the

taxes and other charges upon the products exported have been paid or a certificate from a proper official showing that the products to be exported are exempt from the payment of taxes and other charges.

RULE II. THE REPORT OF FOREIGN SALES (RFS)

SECTION 1. *Exporters required to file Report of Foreign Sales* — Except as provided for in Section 2 hereof, the exporter shall file with an authorized agent bank, for each export sale made, a Report of Foreign Sales on the prescribed form, within 24 hours after the date of closing of the sales contract.

SECTION 2. *Exporters exempt from filing Report of Foreign Sales* — The following are exempted from filing the Report of Foreign Sales:

- a. Embroidery and apparel manufacturer operating under Republic Act No. 3137;
- b. Board of Investment (BOI) registered producers and traders exporting products covered by their BOI certificates of registration under R.A. 6135;
- c. Enterprises registered with the Export Processing Zone Authority exporting products within the export processing zone under R.A. 5490 as amended by P.D. 66; and
- d. Exporters authorized by the Central Bank to export under Monthly General Export Declarations.

SECTION 3. *Registration of Reports of Foreign Sales by authorized agent banks* — Authorized agent banks may register the Reports of Foreign Sales filed with them: provided that, the RFS required to be referred to the Central Bank Export Department under existing Central Bank regulations, for prior verification and approval, shall be forwarded by the authorized agent bank concerned to the said Department and shall be registered only upon their return duly approved.

SECTION 4. *Requisites for approval/registration of Report of Foreign Sales* — No Report of Foreign Sales shall be registered/approved unless:

- a. It is properly accomplished and correctly states the terms and conditions of the sales contract;
- b. It is accompanied by two copies of either the sales contract, the confirmed purchase order, or cable offer and acceptance. In the case of exports to socialist and other centrally planned econo-

my countries, two copies of the written approval of the Philippine International Trading Corporation (PITC) are also required.

- c. The commodity to be exported is not a banned item or if prior clearance from an appropriate government office or agency is required, such clearance has been obtained and is submitted as part of the supporting documents;
- d. The declared price reflects the fair export market value of the commodity on the date of sale; and
- e. The contract price is in a foreign currency which can form part of the international reserves as prescribed by the Central Bank and the mode, as well as payment period conform with the said bank's regulations governing exports.

SECTION 5. *Filing and Registration Procedure* — The exporter shall accomplish one set of the Report of Foreign Sales and shall submit the same to an authorized agent bank which shall:

- a. Receive and stamp each copy of the RFS with the date of receipt;
- b. Determine that it is correctly accomplished and accompanied by the required documents;
- c. Assign an RFS control number which shall be indicated on each copy;
- d. Indicate on each copy an ~~expiry~~ date which shall not be later than the end of the month of shipment as declared in the RFS;
- e. Have each copy of the RFS signed by its authorized officer;
- f. Enter the details in the appropriate register; and
- g. Distribute the copies in accordance with the instructions indicated at the back of the RFS.

If the RFS requires prior verification/approval by the Central Bank Export Department (CBED), the authorized agent bank, after step c above, shall forward the RFS together with the required documents to the said Department for action. Upon approval, the CBED shall return the RFS to the authorized agent bank which shall then undertake steps d to g, above.

RULE III. THE COMMODITY CLEARANCE

SECTION 1. *Inspection and issuance of commodity clearance* — Export products shall be inspected and issued commodity clearances

by specialized government commodity offices prescribed in Rule IV of these rules and regulations pursuant to Section 4 of Presidential Decree No. 930. The inspection and certification of the same export product by more than one government commodity office/agency shall not be allowed; however, where an importing country or an international convention requires additional certification documents for health, sanitary, phytosanitary, safety, security, or other reasons, the inspection and issuance of clearances for the same product by more than one government commodity office/agency shall be permitted.

SECTION 2. *Periodic commodity clearances* — Specialized government commodity offices/agencies shall grant periodic commodity clearances to regular exporters, the validity period of which is to be determined by said offices/agencies, provided it shall not exceed one year. Each of these offices/agencies shall formulate and promulgate guidelines governing the issuance of such periodic clearances. The guidelines should include, among others, the basis for determining the validity periods of clearances to be issued, as well as the criteria for determining and identifying regular exporters entitled to be granted periodic commodity clearances. The periodic commodity clearances issued should pertain to commodities constituting the object of the regular trading operation of the exporter.

RULE IV. STANDARDIZATION AND INSPECTION RESPONSIBILITIES OF GOVERNMENT COMMODITY OFFICES

SECTION 1. *Re-alignment of functions* — The functions of government offices/agencies concerned with the inspection of export products, as well as with the issuance of commodity clearances, shall continue to be exercised by such offices/agencies as provided for in their respective charters, except as otherwise re-assigned under Section 4 of P.D. 930. Pursuant, therefore, to the provisions of the said section, the offices/agencies enumerated herein shall have standardization, inspection and certification functions as follows:

- a. ***Philippine Bureau of Products Standards*** — This Bureau, in coordination with specialized government commodity offices/agencies, shall be the sole agency of the government responsible for the determination and/or establishment of standards for export commodities. Where a specialized government commodity office/agency is empowered to formulate commodity standards in accordance with its charter and in view of the technical expertise available therein on products falling under its jurisdiction, it shall continue to do so and shall submit such standards for accreditation to the Philippine Bureau of Products Standards. The inspection of the products and the issuance of commodity clearance therefor shall nevertheless be the responsibility of the specialized government commodity office/agency. In the case of other export products, the responsibility of ins-

pection and issuance of clearances for which do not fall under the jurisdiction of any specialized office/agency, the Philippine Bureau of Products Standards is authorized to inspect such products and issue appropriate commodity clearances. The Philippine Bureau of Products Standards may deputize any specialized government commodity office/agency possessing the required technical expertise and facilities to recommend standards, as well as inspect and issue appropriate commodity clearances for export products covered by the deputization agreement.

The same Bureau shall continue to be the sole agency to issue licenses for the use of Philippine Standard Certification Marks to exporters of products, whether falling under the jurisdiction of a specialized government commodity office/agency or not. Products with certification marks shall not be subjected to inspection provided that the valid license to use such marks is presented in lieu of a commodity clearance.

- b. *Bureau of Animal Industry* — This Bureau shall be responsible for recommending standards, inspecting and issuing commodity clearances for the following products:

1. Animal by-products such as —

- a) Glue stock
- b) Hides and skins
- c) Hooves
- d) Horns
- e) Rabbit paws

2. Animal effects such as --

- a) Belts
- b) Harnesses
- c) Other leather goods
- d) Straps

3. Egg, meat and meat products such as --

- a) Balut (embryonated duck eggs)
- b) Chicken eggs

- c) Chicken ham
- d) Chilled eggs
- e) Duck ham
- f) Frozen beef
- g) Frozen chevon (goat meat)
- h) Frozen dressed chicken
- I) Frozen dressed duck
- J) Frozen pig heart
- k) Frozen pork
- l) Powdered eggs
- m) Salted duck eggs

4. Live animals and fowls such as —

- a) Breeder cattle
- b) Chicken (breeder for meat and eggs)
- c) Dogs, cats and other pet animals
- d) Hogs for breeding
- e) Thoroughbreds, colonial breeds, standard breeds and other types of horses

5. Pure cultures from animal origin of fungi, bacteria, etc. for scientific purposes

6. Animal feeds

7. Others

c. *Bureau of Fisheries and Aquatic Resources* — This Bureau shall be responsible for recommending standards, inspecting, and issuing commodity clearances for the following fish and fishery/aquatic products such as:

- 1. Crustaceans (shrimps), lobsters, prawns, crabs — live, fresh, chilled and/or frozen)

2. Fishes (live, fresh, chilled and/or frozen)
3. Fish by-products (liver oil, shark teeth, pearl essence, fish meal, and other fish/fishery/aquatic by-products)
4. Mollusks (clams, oysters, mussels, scallops, snails and other shellfish — live; fresh, chilled and/or frozen)
5. Pearls
6. Raw shells & shell meat
7. Reptile skins
8. Sea cucumber (trepang)
9. Seaweeds and their by-products
10. Sponges

d. *Bureau of Plant Industry* — This Bureau shall be responsible for recommending standards, inspecting and issuing commodity clearances for the following products:

1. Dried botanical specimens (for scientific purposes)
2. Fresh fruits in their natural state or form except coconut
3. Fresh vegetables in their natural state or form
4. Live insects
5. Medicinal plants (herbs, roots, leaves, flowers, etc.)
6. Nursery stocks (live plants, as well as vegetative parts thereof) used as propagating materials
7. Pure cultures of fungi, bacteria, etc. for scientific purposes
8. Root crops and similar products — in their original state or form (onion, garlic, potato, cassava, etc.)
9. Seeds and nuts for planting
10. Seeds and nuts for consumption except coconut
11. Specimens of plant diseases and pests
12. Spices (raw, unprocessed or in their natural state or form)

13. Stored plant products and by-products (peanuts, soybean meal, peanut meal, coffee beans and other beans)
 14. Others
- e. *Food and Drug Administration* — This Administration shall be responsible for recommending standards, inspecting and issuing commodity clearances for the following products:
1. Banana bits (sweetened and salted)
 2. Chewing gum
 3. Dried fruits and vegetables
 4. Drugs and other pharmaceutical specialties
 5. Frozen or processed fruits' extracts, juices and sauces
 6. Hard candies
 7. Other preserved or processed food products
 8. Other sauces (such as soy, vinegar, etc.)
 9. Preserved nuts, tropical fruits and derivatives
 10. Processed marine products, including fish sauce and bagoong
 11. Processed (salted, dried, smoked, pickled, canned, bottled) fish, crustaceans, mollusks and other fishery/aquatic products.
 12. Smoked, dried and processed meat, including canned meat
 13. Sweetened fruit preserves and jams
 14. Vegetable preserves
 15. Coconut food products
 16. Others
- f. *National Cottage Industries Development Authority* — This Authority shall be responsible for recommending standards, inspecting and issuing commodity clearances for handicraft and cottage industry products as defined in Republic Act No. 3470, as amended, such as the following:

1. Bamboo craft and rattanraft
2. Brooms, feather duster
3. Ceramics
4. Embroidery (except those covered by R.A. 3137)
5. Fibercraft
6. Hats
7. Leathercraft
8. Mats and mattings
9. Metalcraft
10. Musical instruments such as guitar, ukelele, piano and violin
11. Needlecraft
12. Placemats
13. Polished or processed common shells
14. Rosary beads and ipil beads
15. Shellcraft articles (cleaned, semi-processed, finished state/form)
16. Shellcraft (lamp, shell buttons, bracelets, necklaces, rings, earrings, etc.)
17. Toyrcraft
18. Woodcraft
19. Other related handicrafts

SECTION 2. *Status quo for certain offices/agencies* — The inspection and/or certification functions for export products falling under the jurisdiction of the Bureau of Fiber Development and Inspection Service, the Bureau of Forest Development, the Philippine Coconut Authority, the Philippine Sugar Commission, the Philippine Tobacco Administration and the Philippine Virginia Tobacco Administration shall remain with the same agencies. These offices/agencies, through their respective Departments, shall, however, refer to the National Economic and Development Authority for confirmation

purposes any new or additional requirements that they might wish to impose in relation to their inspection and certification functions.

RULE V. INSPECTION FEES

SECTION 1. *New and Additional Fees/Charges* — Specialized government commodity offices/agencies shall not impose any new or additional inspection fees and/or related charges in connection with the implementation of the provisions of P.D. 930. Should these offices/agencies wish to impose new or additional fees/charges, their proposals, as well as the rationale therefor shall be submitted, through their respective Departments, to the National Economic and Development Authority for evaluation and approval in accordance with the guidelines and procedures which shall be established for this purpose.

SECTION 2. *Periodic Review of Inspection Fees* — The National Economic and Development Authority shall conduct, in cooperation with other agencies concerned, periodic reviews of all inspection fees imposed on exporters for purposes of formulating standard criteria for their imposition. It shall likewise institute appropriate measures for the standardization of fees and/or related charges.

RULE VI. CONTROLLED, PROHIBITED OR BANNED EXPORTATIONS

The following products, which are considered controlled, prohibited or banned for exportation, shall not be exported unless granted an exemption by the office indicated opposite each item:

<i>Products</i>	<i>Office</i>
1. Abaca seeds, seedlings suckers, root stocks	— Department of Agriculture
2. Aircrafts or parts thereof	— Office of the President
3. Antiques, cultural artifacts and historical relics	— National Museum
4. Bakawan	— Bureau of Forest Development
5. Bangus fry, mother bangus (sabalo) and eels 15 centimeters and below	— Bureau of Fisheries and Aquatic Resources
6. Buri seeds and seedlings	— Office of the President

- | | |
|---|--------------------------------------|
| 7. Cement and clinker | — Cement Industry Authority |
| 8. Fertilizers | — Fertilizer and Pesticide Authority |
| 9. Fertilizer raw materials listed below: | — Fertilizer and Pesticide Authority |
| a) Ammonia in liquid or refrigerated form | |
| b) guano and phosphate rock | |
| c) pyritic ores or other sulfur bearing minerals | |
| d) sulfuric acid | |
| 10. Firearms and explosives | — Philippine Constabulary |
| 11. Gold | — Central Bank of the Philippines |
| 12. Grains and grain by-products | — National Grains Authority |
| 13. Ipil-ipil (except ipil-ipil necklace) feather meal and yeast (except baker's yeast) | — Department of Agriculture |
| 14. Logs, poles and piles including log core and flitches/rail-road ties | — Bureau of Forest Development |
| 15. Lumber and plywood | — Department of Trade |
| 16. Matured coconuts and coconut seedlings | — Philippine Coconut Authority |
| 17. Muscovado (Panocha) | — Philippine Sugar Commission |
| 18. Pesticides and pesticide raw materials | — Fertilizer and Pesticide Authority |
| 19. Petroleum products | — Board of Energy |
| 20. Philippine notes, coins, | |

- checks, money orders, and other bills of exchange drawn in pesos against Philippine banks exceeding ₱500.00 — Central Bank of the Philippines
21. Raw materials for cottage industries listed below: — National Cottage Industries Development Authority
- a) abatex and sinamay
 - b) bamboo
 - c) buntal or buri fibers
 - d) canton fiber
 - e) monkey pod (acacia)
 - f) nito
 - g) pandan fiber
 - h) rattan (including poles)
 - i) semi-finished or semi-processed capiz shells
 - j) scrap iron
22. Shells — Bureau of Fisheries and Aquatic Resources
23. Steel products listed below: — Iron & Steel Authority
- a) billets and blooms
 - b) channels and angles
 - c) cold rolled coils and sheets
 - d) ferrous scrap
 - e) hot rolled coils and sheets
 - f) plates
 - g) reinforcing and round bars
 - h) tinplate
 - i) welded pipes and tubes
 - j) wire rods, nails, GI wires and barbed wires
24. Sugar-based commodities — Department of Trade
25. Watercrafts or parts thereof, and vessels for breaking into scrap — Maritime Industry Authority
26. Wildlife species, mammals and birds including monkey-eating eagles — Bureau of Forest Development

The agencies concerned shall periodically assess the conditions for which the control, prohibition and/or banning from exportation

of such products have been imposed, with a view to adding or deleting items from the aforementioned list when conditions so warrant. The agencies making such changes shall immediately notify the Central Bank, the Bureau of Customs, the Department of Trade and other agencies concerned for dissemination of such information to the public and for proper implementation.

RULE VII. PRESCRIBED PROCEDURES FOR HOLDERS OF PERIODIC COMMODITY CLEARANCES AND LICENSES TO USE THE PHILIPPINE STANDARD CERTIFICATION MARK

Exporters who wish to be holders of periodic commodity clearances shall apply in writing to the government commodity office/agency concerned which shall evaluate the applications in accordance with Section 2, Rule III, of these Rules and Regulations.

Regular exporters who have been granted periodic commodity clearances and licenses to use the Philippine Standard Certification Mark (PSCM) shall follow the procedure prescribed hereunder.

The regular exporter shall submit a certified photostatic copy of either the periodic commodity clearance or the PSCM license previously acquired, together with ED 3, to the Export Coordination Division, Bureau of Customs (for Manila loading), or to the Export Service Division of the said Bureau in the province concerned (for provincial loading).

RULE VIII. PRESCRIBED PROCEDURES FOR THE PROCESSING OF COMMODITY CLEARANCE FORMS FOR NON-REGULAR EXPORTERS

The exporter shall fill up one set of the Commodity Clearance form and submit the same to the agency concerned. For products covered by the Bureau of Forest Development, the exporter shall also submit the auxiliary invoice, together with the official receipt of payment of forest charges, to the Bureau.

Upon receipt of the accomplished Commodity Clearance form, the agency concerned shall undertake the following:

- a. Check if the papers are in order;
- b. Assign an inspector/analyst to inspect the product and obtain samples for analysis, if necessary;
- c. Collect fees, if any;
- d. Sign clearance form and give two (2) copies to the exporter.

The exporter shall then proceed to the Bureau of Customs to obtain the Authority to Load in accordance with the procedures provided in Rule X hereof.

RULE IX. THE EXPORT DECLARATION (ED)

As soon as the exporter is ready to ship his goods, he shall secure one set of the Export Declaration forms from the authorized agent bank, accomplish, and submit the same to the said bank. However, for shipments subject to duty drawback, an additional ED 3 is required.

Upon receipt of the accomplished ED, the authorized agent bank shall:

- a. Stamp all copies with the date of receipt;
- b. Determine that it is correctly accomplished and accompanied by the required documents;
- c. Indicate the RFS control number if the ED is with foreign exchange proceeds;
- d. Assign an expiry date which shall not extend beyond the shipment period indicated in the letter of credit, or the expiry date of the corresponding RFS, or 15 days from the issuance of the ED, whichever is earliest;
- e. Have each copy of the ED signed by its authorized officer; and
- f. Forward to the Bureau of Customs, through its own employee, ED 1 and 4, with the corresponding commercial invoice attached to each, and distribute the other copies in accordance with the instructions at the back of the ED.

RULE X. THE AUTHORITY TO LOAD (AL)

SECTION 1. *Requirements for Granting Authority to Load* — the Bureau of Customs shall grant Authority to Load after the following requirements shall have been satisfied by the exporter shipping goods covered by an Export Declaration (Without Foreign Exchange Proceeds):

- a. Customs, Internal Revenue documentary and science stamps have been affixed at the back of ED 1;
- b. Wharfage dues have been paid; and
- c. A certificate of exemption from the government agency concerned has been submitted, if the exportation of the commodity is controlled, banned or prohibited.

For shipments, however, covered by Export Declarations (With Foreign exchange proceeds), the following documents shall be submitted in addition to the above:

- a. Original copy of the commodity clearance, or certified photostatic copy of the periodic commodity clearance or that of the license to use the Philippine Standard Certification Mark;
- b. BIR tax clearance or certified photostatic copy of the periodic BIR tax clearance;
- c. Commercial invoice (s); and
- d. Photostatic copy of the sales contract for commodities subject to export tariff.

SECTION 2. Procedure for Granting Authority to Load at the Port of Manila — Where the export goods are to be loaded at the Port of Manila, the exporter shall get from the Export Coordination Division (ECD), Bureau of Customs, ED 1 and 4, earlier forwarded thereto by the exporter's agent bank, to satisfy the requirements provided for under Section 1 of this Rule. He shall then present ED 1, 3, 4, and 8 to the ECD. The ECD shall perforate the assigned Customs control number on ED 1, 3, 4, and 8, as well as all other attendant documents, after checking that all the documentary requirements are complete and in order.

The Chief of the Export Coordination Division shall then grant the Authority to Load for the Commissioner of Customs by signing in the space provided for at the back of ED 3.

If the shipment is a conventional cargo, the ECD shall transmit ED 3 and 8 to the Arrastre Office. If the shipment is containerized, the ECD shall transmit the same documents to the Integrated Container Control Office (ICCO), Bureau of Customs, for assignment of a Stuffing Officer who shall supervise the stuffing of the cargo. The ICCO shall then forward ED 3 and 8 to the Arrastre Office.

Upon receipt of ED 3 and 8, the Arrastre Office shall collect its share of the arrastre charges, retain ED 8 and transmit ED 3 to the Philippine Ports Authority (PPA)-Finance Unit at the Arrastre Office for the collection of the PPA's share of the arrastre charges.

The ED 3 shall be sent to the PPA-Terminal Operations Officer (PPA-TOO) who shall stamp PPA CLEARANCE GRANTED on ED 3. If the cargo is conventional, ED 3 is then transmitted to the Customs Inspector on board the vessel who sees to it that the exportation is in accordance with the Authority to Load. If the cargo is containerized, ED 3 is sent to the Stuffing Inspector at the Container Yard (CY) or the Container Freight Station (CFS).

After loading, the Customs Inspector on board/Stuffing Inspector shall prepare the Inspector's Return at the back of ED 3 which shall be submitted to the ECD, through the Piers and Inspection Division (PID)/ICCO, within 24 hours after the vessel's departure.

If the shipment is subject to duty drawback, the second copy of ED 3 shall be forwarded by the Customs Inspector on board/Stuffing Inspector to the Drawbacks Unit of the Bureau of Customs.

The ECD shall cause daily delivery of ED 4, complete with commercial invoice (s), to the National Census and Statistics Office.

SECTION 3. Procedure for Granting Authority to Load Outside the Port of Manila — Where the export goods are to be loaded at ports outside the Port of Manila the procedures in the cases cited below shall be as follows:

A. Export documents processed at the Port of Loading — if the export documents are processed at the Port of Loading, the exporter shall get from the Export Service Division (ESD) of the Bureau of Customs ED 1 and 4, earlier forwarded thereto by the exporter's agent bank, to comply with the requirements provided for under Section 1 of this Rule. He shall then present ED 1, 3, 4, and 8 to the ESD.

The ESD shall check whether all the documentary requirements have been satisfactorily complied with and shall then enter the Customs' Control number on ED 1, 3, 4, and 8, as well as on all other attendant documents.

The ESD Chief at the Port of Loading shall grant the Authority to Load by signing in behalf of the Collector of Customs in the space provided for at the back page of ED 3 and shall transmit ED 3 and 8 to the Arrastre Office.

The Arrastre Office shall collect the amount equivalent to its share of the arrastre charges, retain ED 8 and transmit ED 3 to the PPA-Port Management Unit (PPP-PMU), which shall collect its share of the arrastre charges. The PPA-PMU shall transmit ED 3 to the Customs Inspector on board the vessel who sees to it that the exportation is in accordance with the Authority to Load.

For shipments covered by duty drawbacks, the Customs Collector shall forward the second copy of ED 3 to the Drawbacks Unit of the Bureau of Customs. He shall also cause the weekly delivery of ED 4 with the copy (ies) of the commercial invoice (s) to the Provincial Census Officer.

B. Export documents processed at the ECD, Manila. — Should the documents be processed at the Export Coordination Division,

Manila, the procedure in Section 2 shall apply, except that the ECD shall transmit Telegraphic Instructions to Load to the Collector of Customs in the port of loading.

On the basis of the Telegraphic Instructions to Load, the Collector of Customs at the Port of Loading shall issue the Authority to Load and transmit it to the Arrastre Office thereat. The Arrastre Office shall collect the amount equivalent to its share of the arrastre charges and transmit the Authority to Load to the PPA-PMU which shall collect its share of the arrastre charges. The PPA-PMU shall stamp PPA CLEARANCE GRANTED on the Authority to Load and transmit it to the Customs Inspector on board the vessel who sees to it that the exportation is in accordance with the Authority to Load.

The Bureau of Customs shall perform the functions of the Philippine Ports Authority, as provided for under this Rule, in ports of loading whose operations and administration have not been taken over by the PPA.

SECTION 4. *Post Loading* — After the carrier has departed, the ECD/ESD shall issue the following certifications based on the Inspector's Return upon request of the exporter:

- a. Certificate of shipment (shut-out, non-shipment or short-shipment);
- b. Certificate of re-exportation for bond cancellation; and
- c. Certificate of Origin.

The ECD/ESD shall assess and issue the corresponding Order of Payment of the export and premium duty for export products listed under Presidential Decree No. 230.

RULE XI. THE SPECIAL PERMIT TO LOAD

The Bureau of Customs shall grant Special Permit to Load after the following requirements shall have been satisfied by the exporter:

- a. The Special Permit to Load form has been accomplished;
- b. Customs, Internal Revenue documentary and science stamps have been affixed at the back of the Special Permit to Load form; and
- c. Wharfage dues have been paid

The following additional documents shall be submitted for shipments covered by Monthly General Export Declarations:

- d. Original copy of the commodity clearance, or certified photostatic copy of the periodic commodity clearance, or that of the license to use the Philippine Standard Certification Mark;
- e. BIR tax clearance or certified photostatic copy of the periodic BIR tax clearance;
- f. Commercial invoice (s); and
- g. Photostatic copy of the sales contract for commodities subject to export tariff.

RULE XII. THE CERTIFICATION OF ORIGIN-APPLICATION PROCEDURE

SECTION 1. *GSP Certificate of Origin* — If the goods covered by the shipment are qualified for preferential tariff treatment under the Generalized System of Preferences (GSP), the exporter shall secure CO Form A and Application Form B from the Export Coordination Division, Bureau of Customs, Manila, or from the Export Service Division at the Port of Loading outside Manila, accomplish and submit both for certification by the duly authorized signatory Customs Officer. The Customs Officer shall see to it that all boxes are correctly filled up before he issues the original and duplicate copies of the Certificate of Origin to the exporter.

The Bureau of Customs shall furnish the National Census and Statistics Office a copy of each certified CO Form A.

SECTION 2. *General Certificate of Origin* — If the goods covered by the shipment are not qualified for GSP treatment, the exporter may request for the issuance of a General Certificate of Origin for his goods by accomplishing an Application for Certificate of Origin (non-GSP). The Export Coordination Division/Export Service Division, Bureau of Customs, shall process the application in accordance with established procedures. If the application is approved, the Division shall give the exporter the original and duplicate copies of the Certificate of Origin.

RULE XIII. TAX CLEARANCE FOR EXPORTERS

Exporters, as defined in these rules and regulations, shall be granted BIR tax clearances on a periodic basis for the purpose of facilitating the processing of their export documents. Such clearances, however, shall not constitute a waiver by the government of any tax, penalty or interest that may be due from the exporter.

At the end of the year, a final liquidation of the taxes due the government shall be made by the exporter and no further clearance shall be issued until such liquidation is made.

The Secretary of Finance, upon the recommendation of the Bureau of Internal Revenue, shall issue the requisite rules and regulations for the availment of the periodic BIR tax clearance.

RULE XIV. NEGOTIATIONS AND PAYMENT

SECTION 1. *Where the shipment is not fully prepaid* — The exporter shall, within seven days following the date of completion of loading, present to the authorized agent bank the covering draft for negotiation or collection, together with the following shipping and commercial documents:

- a. Bill of lading or air waybill;
- b. Signed commercial invoice;
- c. Insurance certificate;
- d. Standard packing list if required;
- e. Certificate of inspection and/or commodity clearance issued by the appropriate government commodity agency;
- f. Certificate of Origin, consular invoice, and other documents, if required; and
- g. Certificate of shipment (shut-out, non-shipment or short-shipment issued by the Bureau of Customs).

Not later than 2:00 p.m. of the business day following the date of acceptance of the documentary draft for negotiation or collection, the authorized agent bank shall submit to the Central Bank Export Department (CBED) ED 2, fully endorsed on the spaces provided for such negotiation or collection at the back thereof, together with copies of all the documents listed above, and the original copy of the Report of Foreign Sales, if fully utilized. This shall form part of the authorized agent bank's Daily Report of Export Negotiations.

Upon receipt of the correspondent bank's advice of credit of the foreign exchange proceeds of the shipment made, the authorized agent bank shall indicate the amount and the date of receipt of such foreign exchange. The agent bank's authorized officer shall then sign in the spaces provided for at the back of ED 5. This copy shall be submitted to the CBED not later than 2:00 p.m. of the following business day, together with the second copy of the RFS, as part of the agent bank's Daily Report of Export Payments for the day.

SECTION 2. *Where shipment is fully prepaid* — The exporter may send the original document to the foreign buyer provided that within seven (7) days following the date of completion of loading,

said exporter shall submit to the authorized agent bank copies of the relevant documents enumerated in the preceding section. The agent bank shall transmit these documents together with the corresponding ED 2 and 5 and RFS 1 and 2 to the CBED not later than 2:00 p.m. of the following business day as part of the agent bank's Daily Reports of Export Negotiations/Payments for the day. Both ED 2 and 5 shall be endorsed at the backs thereof that the shipment was prepaid; the amount and the date of receipt of the foreign exchange proceeds shall also be indicated.

RULE XV. STANDARDIZED EXPORT DOCUMENTS

The forms for the Report of Foreign Sales, the Export Declaration (With Foreign Exchange Proceeds), the Export Declaration (Without Foreign Exchange Proceeds), the Commodity Clearance, the Periodic Commodity Clearance, the Application for General Certificate of Origin and the General Certificate of Origin, shall be standardized and aligned in accordance with international documents and practices. The facsimiles hereto attached as an integral part of this issuance, are hereby adopted and shall serve as standard forms to be used in the export of goods from the Philippines, except as when otherwise required by international agreements. No changes in said forms especially in the contents, size and in the number of copies as required herein shall be made, except as may be approved by the National Economic and Development Authority.

RULE XVI. EXPORTS CARRIED BY AIRCRAFTS

Sections I and 3-A of Rule X, except those that refer to the PPA and the Arrastre Office, shall apply to exports shipped through air carriers.

RULE XVII. RESOLUTION OF ISSUES AND ADMINISTRATION

Pursuant to Section 8 of Presidential Decree No. 930, the Department of Trade shall have the authority to resolve issues or conflicts that may arise among agencies or instrumentalities of the government resulting from the reassignment of inspection and/or certification authorities provided for in the decree.

Any agency or instrumentality not satisfied with the resolution of the Department of Trade may elevate the issue/conflict to the National Economic and Development Authority within fifteen (15) days from the date the agency or instrumentality receives notice thereof, *Provided, that*, failure to elevate the issue/conflict within the period provided herein shall render the resolution of the Department of Trade final and executory, *Provided, further*, that the Department of Trade may, *motu proprio* immediately refer any issue

or conflict to the National Economic and Development Authority for final resolution.

The Department of Trade shall also be responsible for coordinating the administration and implementation of the provisions of the said decree and of the instructions and/or rules and regulations that may be issued in pursuance thereof along the concept of simplifying export procedures and documentation. It may recommend to the National Economic and Development Authority any change or modification it may deem necessary to effectuate the intents and provisions of the Decree, as well as the Rules and Regulations issued in pursuance thereof.

RULE XVIII. REVIEW POWER

Pursuant to Section 9 of Presidential Decree No. 930, the National Economic and Development Authority shall have the power to review, revise or amend decisions, rulings, or actions made or taken by any agency or instrumentality involved in the implementation of the simplified export procedures and documentation provided herein. Further, it shall have the authority to suspend, for a period not exceeding six months, any aspect or portion of the procedures prescribed to implement the decree, and/or issue within the same limited period, rules and regulations on the matter.

RULE XIX. EFFECTIVITY

These rules and regulations shall take effect within ninety (90) days from the date of the issuance hereof. Meanwhile, the National Economic and Development Authority shall, together with the Philippine Export Council, the Department of Trade, the Central Bank of the Philippines, the Bureau of Customs and other agencies concerned, undertake such information drive as may be necessary for the dissemination of the simplified export procedures and the forms prescribed herein so that the same may be implemented effectively.

For compliance.

Signed this 25th day of November 1977, at Manila, Philippines.

For the National Economic and
Development Authority:

(SGD.) GERARDO P. SICAT
Secretary of Economic Planning
(Director-General)

ANNEX

LIST OF ACRONYMS USED

- | | | | |
|-----|---------|---|--|
| 1. | AL | — | Authority to Load |
| 2. | BIR | — | Bureau of Internal Revenue |
| 3. | BOI | — | Board of Investments |
| 4. | CBED | — | Central Bank Export Department |
| 5. | CFS | — | Container Freight Station |
| 6. | CY | — | Container Yard |
| 7. | ECD | — | Export Coordination Division of the
Bureau of Customs |
| 8. | ED | — | Export Declaration |
| 9. | ESD | — | Export Service Division of the Bureau of
Customs |
| 10. | GSP | — | Generalized System of Preferences |
| 11. | ICCO | — | Integrated Container Control Office |
| 12. | NEDA | — | National Economic and Development
Authority |
| 13. | PID | — | Piers and Inspection Division |
| 14. | PITC | — | Philippine International Trading Corpora-
tion |
| 15. | PPA | — | Philippine Ports Authority |
| 16. | PPA-PMU | — | Philippine Ports Authority-Port Manage-
ment Unit |
| 17. | PPA-TOO | — | Philippine Ports Authority-Terminal Opera-
tions Office |
| 18. | PSCM | — | Philippine Standard Certification Mark |
| 19. | RFS | — | Report of Foreign Sales |

MEMORANDUM TO AUTHORIZED AGENT BANKS

(MAAB NO. 14)

February 6, 1978

1344 (7)

In line with Circular Letter No. 7-77 dated May 6, 1977 of the Department of Foreign Affairs (copy of which was furnished you earlier, as an attachment to MAAB No. 49 dated May 31, 1977), the revised Consular Invoice Form (FA Form 48) mentioned in said Circular may be submitted in lieu of the Certificate of Origin required under Memorandum to Authorized Agent Banks No. 93 dated November 28, 1977 issued in connection with the Sixth Commodity Loan extended by the Government of Japan]

The above shall take effect immediately.

(SGD.) G.S. LICAROS

Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

(MAAB NO. 17)

February 8, 1978

1345 (6)

Effective immediately, [all] applications for outward transfer of funds for any purpose, whether by D/D M/T or T/T through tender or swap or exchange of foreign currency notes shall be referred to the Foreign Exchange Department, for prior clearance]

Strict compliance herewith is hereby enjoined.

(SGD.) CESAR J. LOMOTAN

Deputy Governor

oOo

MEMORANDUM TO AUTHORIZED AGENT BANKS

(MAAB NO. 23)

March 1, 1978

1346 (7)

Effective immediately, [all] hotels (including those that are not owned, managed, franchised or otherwise affiliated with international hotel chains) which are authorized foreign exchange dealers can directly import food and non-food items falling under the banned categories (NEC, UC and SUC) as provided in the Philippine Standard Commodity Classification Manual or procure the same from the Tourist Duty-Free Shops, Inc]

It is understood, however, that all importations covered by this Memorandum shall be referred to the Current Imports and Commodity Classification Office, Central Bank, for prior approval.

This amends Memorandum to Authorized Agent Banks No. 54 dated September 30, 1976.

(SGD.) G.S. LICAROS
Governor

oOo

MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB NO. 28)
March 28, 1978

Effective immediately, Memoranda to Authorized Agent Banks No. 93 dated November 28, 1977 and No. 14 dated February 6, 1978 requiring authorized agent banks to submit to the Central Bank copies of certain import documents evidencing shipments of imported goods from Japan, Singapore, Malaysia, Korea, India, Indonesia or Pakistan in connection with the \$20.8 million Japanese Commodity Loan to the Philippine Government, shall be considered revoked and of no further force and effect.

(SGD.) G.S. LICAROS
Governor

oOo

MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB NO. 29)
April 11, 1978

We wish to advise you that the Central Bank of the Philippines has established a Regional Clearing Unit in Laoag City at the 3rd Floor, Philippine Veterans Bank Building located at General Segundo Avenue

Beginning April 17, 1978, exchanges of clearing items among branches of commercial banks in Laoag/Batac/Vigan will be conducted at 4:00 P.M. in the premises of the Laoag Regional Clearing Unit in accordance with the rules and regulations embodied in Central Bank Circular No. 580 dated September 19, 1977.

Simultaneously, "On Laoag/Batac/Vigan" checks and "On Manila" checks may be presented for clearing respectively through Manila Clearing Office and the Laoag Regional Clearing Unit.

IN MANILA

4:00 P.M. — Manila banks deliver "On Laoag/Batac/Vigan" checks, and also the returned "On Manila" checks picked up at 4:00 P.M. of the previous day.

— Manila Banks pick up "On Manila" checks, and also returned "On Laoag/Batac/Vigan" checks delivered at 4:00 P.M. at Laoag City the previous day.

IN LAOAG CITY

4:00 P.M. — Laoag/Batac/Vigan banks deliver "On Manila" checks, and also returned "On Laoag/Batac/Vigan" checks picked up at 4:00 P.M. of the previous day.

— Laoag/Batac/Vigan banks pick up "On Laoag/Batac/Vigan" checks, and also returned on "On Manila" checks delivered at 4:00 P.M. at Manila two days earlier.

If not returned on schedule, it is understood that "On Laoag/Batac/Vigan" checks delivered to the Manila Clearing Office and "On Manila" checks delivered to the Laoag Regional Clearing Unit will be considered "good" after 4:00 P.M. on the fourth business day after date of delivery to the respective clearing office/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, Malabon, Marikina and Pasig) on one hand and banks in Laoag/Batac/Vigan on the other.

SETTLEMENT OF BALANCES

Clearing balances of participating bank branches in Laoag City shall be debited or credited, as the case may be, to the clearing accounts of their respective head offices in Manila in the afternoon of the same day.

MISCELLANEOUS

Out-of-Town checks shall be sealed in special brown envelopes measuring 7" x 11" wide with four (4) chocolate brown stripes, 1/2" on the right edge, and the destination "TO LAOAG" or "TO MANILA," as the case may be, properly stamped in bold letters of not less than one (1) inch.

Banks shall microfilm all out-of-towns checks.

(SGD.) G.S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 34) 12-9
107
May 5, 1978

Pursuant to Monetary Board Resolution No. 625 dated April 21, 1978, the following amendments to the 1977 Philippine Standard Commodity Classification Manual shall take effect immediately:

A. *FOR RECLASSIFICATION*

		<i>DIVISION 05</i>		<i>VEGETABLES & FRUITS</i>
		054.59		Vegetables, fresh or chilled, n.e.s.
		<i>PSCC</i>		
<i>Category</i>		<i>Classification</i>	<i>CB Code</i>	<i>Commodity</i>
<i>From To</i>		<i>Code</i>		<i>Description</i>
1) NEC	NEP	054.59-21	054-09.09	Peas, chick, fresh, or chilled, in bulk containers (may be imported only by licensed food manufacturers)
		<i>DIVISION 63</i>		<i>CORK AND WOOD MANUFACTURES (EXCLUDING FURNITURE)</i>
		635.99		Other articles of wood, n.e.s.
2) UC	UP	635.99-20	631-09.02	Match splints, wooden pegs or pins for footwear
		<i>DIVISION 69</i>		<i>MANUFACTURES OF METAL, N.E.S.</i>
		695.32		Wrenches and spanners (not including tap wrenches)
3) UP	EP	695.32-09	699-12.04	Wrenches and spanners (not in-

<i>Category From to</i>	<i>PSCC Classification Code</i>	<i>CB Code</i>	<i>Commodity Description</i>
			cluding tap wrenches), n.e.s.
	<i>DIVISION 75</i>		<i>OFFICE MACHINES AND AUTOMATIC DATA PROCESSING EQUIPMENT</i>
	751.88		Other office machines, n.e.s., etc.
4) NEC SEC	751.88-06	899-17.16	Paper perforators, hand-operated
			<i>MISCELLANEOUS MANUFACTURED ARTICLES, N.E.S.</i>
	<i>DIVISION 89</i>		
	899.39		Ferro-cerium and other pyrophoric alloys in all forms
5) NEC SEC	899.39-00	599-09.04	Ferro-cerium and other pyrophoric alloys in all forms (lighter flints) Transfers (decalcomanias)
	892.41		
6) NEP NEC	892.41-09	892-04.01	"Transfers (decalcomanias), n.e.s."
			<i>PAPER, PAPERBOARD, AND ARTICLES OF PAPER PULP, OF PAPER OR OF PAPER BOARD</i>
	<i>DIVISION 64</i>		
	642.44		Gummed or adhesive paper, in strips or rolls
7) UC SEP	642.44-02	642-09.07	Masking tape
B. FOR AMENDMENT			
	<i>DIVISION 66</i>		<i>NON-METALLIC</i>

<i>Category From To</i>	<i>PSCC Classification Code</i>	<i>CB Code</i>	<i>Commodity Description</i>
			MINERAL MANU- FACTURES, N.E.S.
	665.89		Other articles of glass, n.e.s.
8) UP	665.89-11	665.09-13	Glass articles of a kind used as part of machinery, mecha- nical or electrical equipment and ap- pliances (e.g., sight holes, gauge glasses, etc.)
	<i>should read as:</i>		
UP	665.89-02	665-09.13	Glass articles of a kind used as part of machinery, mecha- nical or electrical equipment and ap- pliances (e.g. sight holes, gauge glasses, etc.)
	DIVISION 62		RUBBER MANU- FACTURES, N.E.S.
	628.98		Articles of unhard- ened vulcanized rub- ber, n.e.s.
9) UP	628.98-15	629-09.09	Articles of a kind used on machinery or plant (mechanical or electrical applian- ces), of unhardened vulcanized rubber (e.g., washers, <i>gas- kets</i> , etc.)
	<i>should read as:</i>		
UP	628.98-15	629-09.09	Articles of a kind used on machinery or plant (mechanical

or electrical appliances), of unhardened vulcanized rubber (e.g., washers, etc.), n.e.s.

(SGD.) G.S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 40)
June 5, 1978

Pursuant to Monetary Board Resolution No. 719 dated May 5, 1978, the following amendments to the 1977 Philippine Standard Commodity Classification Manual shall take effect immediately.

<i>Category</i>	<i>Classification Code</i>	<i>CB Code</i>	<i>Commodity Description</i>
FOR DELETION:			
	DIVISION 04		CEREAL AND CEREAL PREPARATIONS
	048		Cereal preparations and preparations of flour or starch of fruits or vegetables.
	048.80 (b)		Preparations of flour, meal, starch or malt extract, used as infant food or for dietetic or culinary purposes, containing less than 50% by weight of cocoa.
1) UC	048.80-24		textured vegetable protein
	DIVISION 09		MISCELLANEOUS EDIBLE PRODUCTS AND PREPARATIONS

	098		Edible products and preparations, n.e.s.
	098.09		Food preparations, n. e. s.
2) NEC	098.09-19		Protein concentrates (obtained by eliminating certain constituents of defatted soya bean flour)

FOR RECLASSIFICATION AND AMENDMENT OF COMMODITY DESCRIPTION

3) NEC	098.09-18	099-09.39	Protein hydrolysates (consisting mainly of a mixture of amino-acids and sodium chloride)
	<i>to read as:</i>		
NEP	098.09-18	099-09.39	Protein hydrolysates, protein concentrates and other textured protein substances, in bulk containers.

FOR RECLASSIFICATION:

	DIVISION 59		CHEMICAL MATERIALS AND PRODUCTS, N. E. S.
	598		Miscellaneous chemical products, n. e. s.
	598.31		Artificial waxes (including water-soluble waxes; prepared waxes, not emulsified or containing solvents.
<i>From</i>	<i>To</i>		
4) NEC	NEP 598.31-00	522-03.02	Artificial waxes (including watersoluble

waxes); prepared
waxes, not emulsified
or containing solvents

FOR AMENDMENT:

DIVISION 89

*MISCELLANEOUS
MANUFACTURED
ARTICLES, N.E.S.*

894

Baby carriages, toys,
games and sporting
goods

894.24

Equipment for parlor,
table and funfair
games for adults or
children (including
billiard tables and pin-
table and table ten-
nis requisites).

5) NEC 894.24-08

Equipment for indoor
games (darts, dart-
boards, etc.)

to read as:

NEC 894.24-08

Equipment for indoor
games, n. e. s.

FOR INCLUSION AND RECLASSIFICATION:

6) SEC 894.24-11

Darts and dartboards
No.

(SGD.) AMADO R. BRÍÑAS
Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 41)
June 5, 1978

Further to our Memorandum to Authorized Agent Banks dated
October 20, 1969, please be advised that [all import applications

under any mode of payment for "Sheet glass of laminating quality, suitable for the manufacture of safety glass" (SEP 664, 32-00) shall not be given due course unless accompanied by a certification from the Department of Industry.]

Strict compliance herewith is enjoined.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 43)
June 19, 1978

Effective immediately, [all applications to import refined petroleum products,] particularly the following:

<i>Commodity Code</i>	<i>Commodity Description</i>
EP 334. 11-01	Gasoline, aviation
EP 334. 11-02	Gasoline, motor
EP 334. 11-09	Motor spirits, n. e. s.
EP 334. 19-01	Petroleum naphtha
EC 334. 21-00	Kerosene
EP 334. 30-01	Gas oil (bunker fuel)
EP 334. 30-02	Diesel oil
EP 334. 40-00	Fuel oils, n e. s.
EP 334. 51-02	Lubricating oil (includes col- lant, cutting oil, insulating oil or transformer oil)
EP 334. 51-05	Lubricating oil (lube oil) base stock
EP 334. 51-09	Other lubricating oil, n. e. s. (including dead oil, creosote oil and floatation oil)
UP 341. 39-02	Liquefied petroleum gas (LPG)

[including the importation of "Coal" (EP 322.10-00/322 20-00), may be given due course only upon prior written clearance thereof obtained from the Bureau of Energy Utilization pursuant to the provisions of Presidential Decree No. 1206 dated October 6, 1977]

Further, it is enjoined that import documents of applicants for the importation of the above commodities be closely examined to

assure compliance/observance with the specific conditions stipulated in the import clearance issued by the Bureau of Energy Utilization, including unit import price and quantity.

Importation under O/A-D/A arrangements of the EP items aforementioned shall continue to be registered in accordance with the provisions of MAAB No. 78 dated December 27, 1972.

This memorandum supersedes our MAAB No. 75 dated September 23, 1977.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 46)
July 10, 1978

Pursuant to Monetary Board Resolution No. 1014 dated June 23, 1978 the following amendments to the 1977 Philippine Standard Commodity Classification Manual shall take effect immediately:

<i>Category</i>	<i>Classification Code</i>	<i>Central Bank Code</i>	<i>Commodity Description</i>
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FOR RECLASSIFICATION

DIVISION 09

**MISCELLANEOUS
EDIBLE PRODUCTS
AND PREPARA-
TIONS**

098	Edible products and preparations, n. e. s.
098.09	Food preparations, n. e. s.

FROM TO

1) NEC	NEP	098.09-01	Cheese flavoring powder, in bulk containers
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FOR INCLUSION

098.04	Sauces; mixed condi-
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		ments and mixed seasonings
2)	NEP 098.04-11	Other seasonings, mixed, in bulk containers
	<i>DIVISION 69</i>	<i>MANUFACTURES OF METAL, N.E.S</i>
	699	Manufactures of base metals, n.e.s.
	699.79	Other articles of iron or steel, n.e.s. (excluding castings, forgings and stamping in the rough state)
3)	EP 699.79-12	Reflectorized road signalling and pavement marking devices, non-electrical, of iron or steel
	<i>DIVISION 89</i>	<i>MISCELLANEOUS MANUFACTURED ARTICLES, N.E.S.</i>
	893	Articles, n.e.s. of materials, of the kinds described in Division 58
	893.99	Other articles, n.e.s., of the materials falling within Division 58
4)	EP 893.99-26	Reflectorized road signalling and pavement marking devices, non-electrical, of artificial plastic materials, excluding reflective sheeting, 583.42-03
	894	Baby carriages, toys, games and sporting goods

894.61

Firearms, n.e.s. (excluding very light pistols, pistols and revolvers for firing blank ammunition only, line-throwing guns and the like)

5) SEC 894.61-04

Safety pistols and revolvers used as signals for race starting, whether or not fitted with chronometer-actuating devices (may be imported only upon prior clearance from the Philippine Constabulary, Department of National Defense)

FOR AMENDMENT

6) NEP 098.04-09

099-09.35

Seasonings, mixed, for sausage-making

should read as

NEP 098.04-09

099-09.35

Seasonings, mixed, for sausage making, in bulk containers

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

(MAAB No. 51)

August 25, 1978

Effective immediately, all applications for the importation of "Radio Communications Equipment" listed hereunder, either thru letters of credit, documents against acceptance (D/A) or open account (O/A) arrangements, or any other mode of payment, shall only be given due course upon presentation of requisite *Permit to Purchase* from the Telecommunications Control Bureau, subject to other parti-

ment Central Bank rules and regulations particularly MAAB dated September 8, 1971.

<i>Item</i>	<i>Classification Code</i>
Radio-telegraphic and radio- telephonic transmittter	NEP 764.33-00
Transmitter-receivers	NEP 764.34-00
Radio transmitters, n.e.s.	NEP 764.38-00
Radiotelephonic or radio- telegraphic receivers	NEP 764.81-00
Radio navigational aid apparatus, radar apparatus and radio remote con- trol apparatus	NEP 764.83-00
Parts and accessories, n. e. s., of television, radio broadcasting, radiotelegraphic and radiotelephonic transmitters and transmitter receivers	NEP 764.93-19
Radiotelephonic and radiotelegraphic receivers parts and accessories, n. e. s.	EP 764.93-21
Parts and accesories, n. e. s., of radio- navigational aid apparatus, radar apparatus and radio remote control apparatus	EP 764.93-29

Strict compliance herewith is enjoined.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 53)
September 15, 1978

Authorized Agent Banks are requested to inform their exporter-
clients that exports of durable manufactured commodities under
letters of credit providing for payment longer than sixty (60) days
from date of shipment may be allowed on a case-to-case basis.

In view thereof, applications to export manufactured durable
consumer and capital goods under letters of credit providing for

payment longer than sixty (60) days from date of shipments shall be referred to the Central Bank Export Department for prior approval.

Please be guided accordingly.

(SGD) AMADO R. BRINAS
Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 54)
October 12, 1978

Pursuant to Monetary Board Resolution No. 1566 dated September 15, 1978, the amendments/inclusions to the 1977 Philippine Standard Commodity Classification Manual as embodied in the attached annexes shall take effect immediately:

No. of Items Involved

Annex A — For Amendment of Commodity Description and Re-numbering of Classification Codes	36
Annex B — For Deletion of Classification Codes	17
Annex C — For Inclusion of New Classification Codes	42

Please be guided accordingly.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

A. FOR AMENDMENT OF COMMODITY DESCRIPTION
AND RE-NUMBERING OF CLASSIFICATION CODES

ANNEX A

P R E S E N T					T O R E A D A S		
Category	Classifica- tion Code	Central Bank Code (Old)	Commodity Description	Unit of Quantity	Classifica- tion Code	Commodity Description	Unit of Quantity
	054.21		White navy beans, dried			Beans, white, dried	
1)	SEP	054.21-01	NEW		same	Beans, white, dried, in bulk containers exceeding 45 kgs. gross weight (may be imported only by licensed food manufac- turers)	Gross kg.
				Net kg.			
2)	NEC	054.21-02	NEW		same	Beans, white, dried, other than in bulk containers	Gross kg.
				Net kg.			
	054.23		Beans, mongo, (green or yellow), dried		054.22	Beans, mongo (green or yellow), dried	
3)	SEP	054.23-00	054-02.01			Beans, mongo (green or yellow), dried	Net kg.
				Net kg.	054.22-00		

		054.24		Other beans, dried, n.e.s.		054.23		Other beans, dried, n.e.s.	
4)	SEP	054.24-01	054-02.14	Pink beans, dried, in bulk containers (may be imported only by licensed food manufacturers)	Net kg.	054.23-01		Beans, pink, dried, in bulk containers (may be imported only by licensed food manufacturers)	Net kg.
5)	NEC	054.24-02	054-02.13	Red beans, dried	Net kg.	054.23-02		Beans, red, dried	Net kg.
6)	NEC	054.24-09	054-02-02	Other beans (excluding pink beans and red beans) dried	Net kg.	054.23-09		Other beans (excluding pink beans and red beans), dried	Net kg.
		054.25		Peas, chick (garbanzos), dried		054.24		Peas, chick (garbanzos), dried	
7)	NEP	054.25-01	054-02.28	Peas, chick (garbanzos), dried, in bulk containers (may be imported only by licensed food manufacturers)	Net kg.	054.24-01		Peas, chick (garbanzos), dried, in bulk containers exceeding 45 kgs. gross weight (may be imported only by licensed food manufacturers)	Gross kg.
8)	NEC	054.25-02	054-02-04	Peas, chick (garbanzos), dried, other than in bulk containers	Net kg.	054.24-02		Peas, chick (garbanzos), dried, other than in bulk containers	Gross kg.

		054.26		Peas, green (chicharo), dried		054.25	Peas, green (chicharo), dried	
9)	NEP	054.26-01	054-02-12	Peas, green (chicharo), dried, in bulk containers	Net kg.	054.25-01	Peas, green (chicharo), dried, in bulk containers	Net kg.
10)	NEC	054.26-02	NEW	Peas, green (chicharo), dried, other than in bulk containers	Net kg.	054.25-02	Peas, green (chicharo), dried, other than in bulk containers	Net kg.
		054.27		Other peas, dried, n.e.s.		054.26	Other peas, dried, n.e.s.	
11)	NEC	054.27-00	054-02.05) 054-02.06)	Other peas, dried, n.e.s.	Net kg.	054-26-00	Other peas, dried, n.e.s.	Net kg.
		054.28		Dry pulses, for animal feeds		054.27	Dry pulses, for animal feeds	
12)	NEC	054.28-00	054-02-07	Dry pulses, for animal feeds	Net kg.	054.27-00	Dry pulses, for animal feeds	Net kg.
		287.32		Alumina (aluminum oxide)		287.32	Alumina (natural aluminum oxide)	
13)	EP	287.32-00	511-09.22	Alumina (aluminum oxide)	Net kg.	same	Alumina (natural aluminum oxide)	Net kg.

14)	EP	522.56-00	511-09.22	Aluminum hydroxide	Net kg.	same	Aluminum hydroxide (hydrated alumina powder)	Net kg.
15)	UP	628.98-15	629-09.09	Articles of a kind used on machinery or plant (mechanical or electrical appliances), of unhard- ened vulcanized rubber (e.g., washers, etc.)	Net kg.	same	Articles of a kind used on machinery or plant (mechanical or electrical appliances), of unhard- ened vulcanized rubber (e.g., washers, etc.) except articles of a kind used on textile machinery or plant when imported by textile manufacturers	Net kg.
16)		641.6		Building board of wood pulp or of vegetable fiber, whether or not bonded with natural or artificial resins or with similar binders (fiberbuilding board)		same	Fiberbuilding board of wood or other vegetable material, whether or not bonded with natural or artificial resins or with other organic binders	
17)		641.61		Building board of wood pulp or vegetable fiber, whether or not bonded with natural or artificial		same	Fiber building board of wood or other vegetable material, whether or not bonded with natural or	

				resins or with similar binders (fiber building board) compressed (hard-board)			artificial resins or with other organic binders, compressed (hardboard)	
18)		641.62		Building board of wood pulp or of vegetable fiber, whether or not bonded with natural or artificial resins or with similar binders (fiberbuilding board), non-compressed (insulating board, etc.)		same	Fiber building board of wood or of other vegetable material, whether or not bonded with natural or artificial resins or with other organic binders, non-compressed (insulating board, etc.)	
19)	EP	642.49-12	NEW	Sterilization indicators	Net kg.	same	Sterilization indicator or strip (autoclave tapes)	Net kg.
20)	EP	745.27-03	716-13.74	Sprayers, hand-operated, including compressed air or pressure type sprayers, manually operated		same	Liquid sprayers using hand-pumped compressed air, cylinder type, of any capacity	No.
21)	EP	745.27-09	716-15.09	Sprayer parts, hand-operated	Gross kg.	same	Parts of liquid sprayers using hand-pumped compressed-air, cylindrical type, of any capacity	Gross kg.

22)	EP	812.41-01	812-04.09	Glass chimneys for kerosene air pressure lamps	Gross kg.	same	Glass globes and cylinders or chimneys for kerosene air pressure lamps	Gross kg.
23)	SEC	851.02-03	851-02.06	Sports footwear wholly or mainly of leather or composition leather, equipped with spikes, studs, bars, etc. (e.g., baseball, football, golf, softball, and track and field shoes) Pair		same	<i>Special sports footwear wholly or mainly of leather, or composition leather, equipped with spikes, studs, bars, etc. (e.g., athletic baseball, football, softball and track and field shoes and hockey boots) except golf shoes</i> Pair	
24)	NEP	892.41-02	892-04.04	Industrial transfers (decalcomanias), printed	Net kg.	same	Industrial transfers excluding ceramic transfers (decalcomanias), printed <u>1/</u>	Net kg.
25)	NEP	893.10-02	899-11.04	Cans, cases, <i>bags</i> , boxes and other packing containers, n.e.s., of vulcanized fiber or of other artificial materials	Net kg.	same	Cans, cases, boxes and other packing containers, n.e.s., of vulcanized fiber or of other artificial materials	Net kg.

1/ may be imported only by manufacturers of products (other than ceramic and porcelain) which require the use of transfer paper print (e.g., plastic, textile, glass, etc.)

26)	UC	893.99-02	899-11.02	Belts, not for apparel, of synthetic materials	Gross kg.	same	Belts (excluding belts and beltings, sub-item 893.99-14, not for apparel), of synthetic materials	Gross kg.
27)	UP	893.99-14	899-11.28	Belting (excluding belts, of synthetic materials sub-item 893.99-02), of synthetic materials	Net kg.	same	Belts and beltings (excluding belts, sub-item 893.99-02), not for apparel, of synthetic materials	Net kg.
28)	NEC	894.24-08	899-15.26	Equipment for indoor games, n.e.s.	No.	894.24-09	Equipment for indoor games, n.e.s.	Set
29)	NEP	895.21-06	899-16.11	Ballpen parts, n.e.s.	Gross kg.	same	Ballpen parts (excluding ball point tips), n.e.s.	Gross kg.
30)	NEP	898.22-02	891-09.12	Harmonicas	No.	same	Mouth organs (harmoni- cas)	No.
31)	NEP	898.22-09	NEW	Mouth organs and similar musical instruments, n.e.s.	No.	same	Other musical instruments of the accordion and concertina type	No.
32)	UC	898.90-21	891-03.02	Piano-playing mechanisms, new or used	No.	same	Piano-playing mechanisms, new or used (other than for upright pianos)	No.
33)	UP	898.90-22	891-03.04	Metal piano frames and finished piano sound		same	Metal piano frames and finished piano soundboards,	

			boards, new or used	Net kg.		new or used (other than for upright pianos)	Net kg.
34)	NEP	898.90-23	891-03.09 Piano and piano-playing mechanism parts and accessories	same Gross kg.		Piano and piano-playing mechanism parts and accessories (other than for upright pianos)	Gross kg.
35)	EP	898.90-25	891-09.22 Machine heads for musical instruments	same Gross kg.		Machine heads (e.g. guitar heads and drum heads) for musical instruments	Gross kg.
36)	EP	899.19-41	599-04.18 Empty gelatin capsules for pharmaceutical use	same Net kg.		Empty gelatin capsules for pharmaceutical products	Net kg.

B. FOR DELETION OF CLASSIFICATION CODES

ANNEX B

	Category	Classification Code	Central Bank Code (Old)	Commodity Description	Unit of Quantity
1)	SEP	054.22-01	054-02.11	White beans, dried, in bulk containers (may be imported only by licensed food manufacturers)	Net kg.
2)	NEC	054.22-02	NEW	White beans, dried, other than in bulk containers	Net kg.

3)	UP	273.40-00	272-03.00	Pebbles and crushed or broken stone (whether or not heat-treated), gravel, macadam, of a kind commonly used for concrete aggregates, for road metalling or for railway or other ballast; flint and shingle (whether or not heat-treated); granules and chippings (whether or not heat-treated) and powder of stones falling within item 273.12 or 273.13	Net kg.
4)	EP	523.22-00	511-09.55) 561-02.01)	Phosphites, hypophosphites and phosphates	Net kg.
5)	EP	582.11-00	599-01.04	Phenoplasts in primary forms (e.g., in powder, flakes, lumps, blocks, granules or liquid and similar bulk form)	Net kg.
6)	EP	582.21-00	599-01.01	Aminoplasts in primary forms (e.g., in powder, flakes, lumps, blocks, granules or liquid and similar bulk forms)	Net kg.
7)	SEP	598.94-00	599-09.01) 599-09.02) 599-09.03)	Preparations and charges for fire extinguishers; charged fire-extinguishing grenades	Net kg.
8)	NEP	641.61-01	631-03.02	Building boards of vegetable fiber, not being thermal or acoustic, whether or not bonded with natural or artificial resins or with similar substances	Cu Dm

9)	SEP	641.61-02	641-05.02	Wallboards, other than thermal or acoustic	Net kg.
10)	SEP	641.61-09	641-05.09	Building board of wood pulp or of vegetable fiber, whether or not bonded with natural or artificial resins or with similar binders (fiber building board), compressed (hardboard), n.e.s.	Net kg.
11)	NEP	641.62-01	631-03.01	Thermal or acoustic building board of vegetable fiber, whether or not bonded with natural or artificial resins or with similar substances	Cu Dm
12)	SEP	641.62-02	641-05.01	Wallboards, thermal or acoustic	Net kg.
13)	SEP	641.62-09	641-05.03	Building board of wood pulp or of vegetable fiber, whether or not bonded with natural or artificial resins or with similar binders (fiber building board), non-compressed (insulating board, etc.), n.e.s.	Net kg.
14)	NEP	651.41-00	651-06.11	Yarn, textured, of continuous polyamide fibers, not put up for retail sale	Net kg.
15)	NEP	651.42-00	651-06.11	Yarn, non-textured, of continuous polyamide fibers, untwisted or with a twist of not more than 50 turns per meter, not put up for retail sale	Net kg.

16)	NEP	651.43-00	651-06.11	Other non-textured yarn of continuous polyamide fibers, not put up for retail sale	Net kg.
17)	UP	662.42-00	662-01.02) 662-02.02)	Roofing tiles, chimney-pots, cowls, chimney-liners, cornices, and other ceramic constructional goods (including architectural ornaments)	Net kg.

C. FOR INCLUSION OF NEW CLASSIFICATION CODES

ANNEX C

	<i>Category</i>	<i>Classification Code</i>	<i>Old Central Bank Code</i>	<i>Commodity Description</i>	<i>Unit of Quantity</i>
1)	NEP	098.06-04	099-09.13	Inactive natural yeast	Net kg.
2)	UP	273.40-01	272-03.00	White pebbles (when imported by ceramic manufacturers)	
3)	UP	273.40-09	272-03.00	Other pebbles (including white pebbles when imported by non-ceramic manufacturers) and crushed or broken stone (whether or not heat treated), gravel, macadam, of a kind commonly used for concrete aggregates, for road metalling or for railway or other ballast; flint and shingle whether or not heat-treated); granules and chippings (whether or not heat-treated) and powder of stones falling within item 273.12 or 273.13	Net kg.

4)	UP	292.50-06	292-06.09	Seeds, fruits and spores, of a kind used for sowing, under prior authorization of the Bureau of Plant Industry as necessary in the interest of agriculture and development	Net kg.
5)	EP	523.22-01	511-09.55	Sodium tripolyphosphates (STPP)	Net kg.
6)	EP	523.22-09	561-02.01	Other phosphates, hypophosphites and phosphites	Net kg.
7)	EP	582.11-01	599-01.04	Phenoplast molding compounds	Net kg.
8)	EP	582.11-09	599-01.04	Phenoplasts in primary forms (e.g., in powder flakes, lumps, blocks, granules or liquid and similar bulk forms (excluding phenoplast molding compounds	Net kg.
9)	EP	582.21-01	599-01.01	Aminoplast molding compounds	Net kg.
10)	EP	582.21-09	599-01.01	Aminoplasts in primary forms (e.g., powder flakes, lumps, blocks, granules or liquid and similar bulk forms) excluding aminoplast molding compounds	Net kg.
11)	SEC	582.49-03	899-14.32	Nylon monofil strings for tennis and other rackets	Net kg.
12)	SEP	598.94-01	599-09.01	Aqueous film-forming foam type preparations and charges for fire extinguishers	Net kg.

13)	SEP	598.94-09	599-09.02) 599-09.03)	Other preparations and charges for fire extinguishers; charged fire extinguishing grenades	Net kg.
14)	UP	628.98-17	629-09.09	Articles of a kind used on textile machinery or plant when imported by textile manufacturer	Net kg.
15)	SEP	641.61-00	641-05.02) 641-05.09) 631-03.02)	Fiber building board of wood or other vegetable material, whether or not bonded with natural or artificial resins or with other organic binders, compressed (hardboard)	Net kg.
16)	SEP	641.62-00	641-05.01) 641-05.03) 631-03.01)	Fiber building board of wood or other vegetable material, whether or not bonded with natural or artificial resins or with other organic binders, non- compressed (insulating board, etc.)	Net kg.
17)	EP	651.41-01	651-06.11	Yarn, textured, of continuous polyamide fibers (nylon), with prior joint authorization of the Tariff Commission and Board of Investments	Net kg.
18)	SUP	651.41-02	651-06.11	Yarn, textured, of continuous polyamide fibers (nylon), without prior joint authorization of the Tariff Commission and Board of Investments	Net kg.

19)	EP	651.41-01	651-06.11	Yarn, non-textured, of continuous polyamide fibers (nylon), untwisted or with a twist of not more than 50 turns per meter with prior joint authorization of the Tariff Commission and Board of Investments	Net kg.
20)	SUP	651.42-02	651-06.11	Yarn, non-textured, of continuous polyamide fibers (nylon), untwisted or with a twist of not more than 50 turns per meter without prior joint authorization of the Tariff Commission and Board of Investments	Net kg.
21)	EP	651.43-01	651-06.11	Other non-textured yarn of continuous polyamide fibers (nylon), with prior joint authorization of the Tariff Commission and Board of Investments	Net kg.
22)	SUP	651.43-02	651-06.11	Other non-textured yarn of continuous polyamide fibers (nylon), without prior joint authorization of the Tariff Commission and Board of Investments	Net kg.
23)	EP	662.42-01	NEW	Ceramic bricks for lining ball mills	Net kg.
24)	UP	662.42-02	662-01.02) 662-02.02)	Roofing tiles, chimney-pots, cowls, chimney-liners and cornices, of ceramic materials	Net kg.
25)	UP	662.42-09	662-01.02) 662-02.02)	Other ceramic constructional goods including architectural ornaments	Net kg.

26)	EP	745.27-14	716-13.74	Liquid sprayers using hand-pumped compressed-air, non-cylindrical knapsack type with a capacity of less than 14 liters	No.
27)	EP	745.27-15	716-13.74	Liquid sprayers using hand-pumped compressed-air, non-cylindrical knapsack type with a capacity of 14 liters and above	No.
28)	EC	745.27-16	716-13.74	Hand-operated household sprayers with a capacity not exceeding 3 liters	No.
29)	EC	745.27-17	716-13.74	Hand-operated household sprayers with a capacity of 3 liters and above	No.
30)	EP	745.27-18	NEW	Parts of liquid sprayers using hand-pumped compressed-air, non-cylindrical knapsack type with a capacity of less than 14 liters	Gross kg.
31)	EP	745.27-19	NEW	Parts of liquid sprayers using hand-pumped compressed-air, non-cylindrical knapsack type with a capacity of 14 liters and above	Gross kg.
32)	EP	745.27-21	NEW	Parts of hand-operated household sprayers with a capacity not exceeding 3 liters	Gross kg.
33)	EP	745.27-22	NEW	Parts of hand-operated household sprayers with a capacity of 3 liters and above	Gross kg.

34)	SEC	851.02-11	851-02.06	Golf shoes	Pair
35)	NEP	892.41-03	892-04.04	Ceramic transfers <u>1/</u>	Net kg.
36)	EP	893.99-25	NEW	Millipore filters (membrane filters)	Net kg.
37)	NEP	895.21-16	NEW	Ball point tips	Gross kg.
38)	UC	898.11-05	891-03.01	Grand pianos, new or used	No.
39)	NEP	898.19-04	891-09.07	Bandurias and mandolins	No.
40)	UP	898.90-26	NEW	Strung back (with or without iron frames or metal plates) for upright pianos	No.
41)	NEP	898.90-27	891-03.09	Key-board, new or used, for upright pianos	No.
42)	UP	898.90-28	891-03.04	Metal frames, for upright pianos	Net kg.

1/ may be imported only by manufacturers of ceramic and porcelain products requiring the use of transfer paper prints

MEMORANDUM TO AUTHORIZED AGENT BANKS
AND AUTHORIZED FOREIGN EXCHANGE DEALERS

(MAAB No. 57)
November 10, 1978

1357
(18)

Effective immediately, the first sentence of Section 2 of Memorandum to Authorized Agent Banks No. 48 dated April 12, 1973 reading as follows:

- "2. Henceforth, authorized agent banks and authorized foreign exchange dealers shall purchase acceptable foreign currencies (notes, coins and travellers checks) directly from tourists and other foreign visitors at a minimum of 2% below the Central Bank buying rate for the aforementioned foreign currencies."

is hereby amended to read as follows:

- "2. Henceforth, authorized agent banks and authorized foreign exchange dealers shall purchase acceptable foreign currency notes, coins and travellers checks directly from tourists and other foreign visitors including balikbayans at a minimum of one percent (1%) below the Central Bank buying rate for the aforementioned foreign currencies."

All other provisions of the aforesaid MAAB shall remain unchanged.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

(MAAB No. 58)
November 29, 1978

1358

(19)

1. In connection with the Seventh \$13.7 Million Commodity Loan extended by the Government of Japan, Authorized Agent Banks are hereby requested to submit to the Central Bank one (1) copy each and/or certified true copies of the following documents evidencing importations from countries enumerated in paragraph 2 below, and payments thereof by the Agent Banks:

- a. covering transmittal letter or collection advice of the negotiating bank addressed to the Philippine com-

mercial bank, containing the certification stated in paragraph 4 below, for imports under L/C, D/A or O/A arrangement;

- b. commercial invoice;
- c. certificate of origin or any documents to certify origin; and
- d. bill of lading

The submission of the above-listed documents shall not be required in the case of importations of the Philippine Government or any of its offices, agencies or instrumentalities.

2. The above-listed documents are to be submitted for each import payment of at least \$5,000 or Y 1,500,000 made after November 7, 1978 for importations from Japan, Singapore, Malaysia, Korea, India, Indonesia, Pakistan or anyone of the member countries of the Organization for Economic Cooperation and Development (OECD).*

3. Documents pertaining to payments of amortization and interest charges on imports under deferred payment arrangement with an original maturity period of not shorter than 5 years, need not be submitted. However, documents covering downpayments 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 negotiating bank (or in the pertinent commercial invoice, in the case of imports under open account arrangements) in the following form:

"We hereby certify that the payment for this import
was duly made on _____ for
the amount of _____."

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 importation is covered by an L/C and the corresponding debit advice

* This includes the United States of America, Canada, United Kingdom, France, West Germany, Italy, Belgium, Netherlands, Luxembourg, Sweden, Norway, Denmark, Iceland, Ireland, Austria, Switzerland, Portugal, Spain, Greece, Turkey, Finland, Japan, Australia and New Zealand.

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 eight (8) days after the date of the covering letter or collection advice of the negotiating 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 (MEDIAD), not later than Thursday of the succeeding week with the exception of the certificate of origin which may be submitted within seven days of receipt thereof.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 59)
December 13, 1978

1359
(20)

Effective immediately, all applications for foreign exchange for travel to Hongkong shall be referred to the Foreign Exchange Department of the Central Bank for consideration accompanied by explanation of purpose of travel.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 61)
December 29, 1978

1360
(21)

Pursuant to Monetary Board Resolution No. 2093 dated December 15, 1978, the following inclusions to the 1977 Philippine Standard Commodity Classification Manual shall take effect immediately:

Category	Classification Code	Central Bank Code	Commodity Description	Unit of Qty.
NEP	699.79-13	699.18-09	Anchors and anchor rods (other than for ships), of iron or steel	Gross kg.

NEP 699.79-15	699.18-09	Hangers, stays and similar supports for fixing piping and tubing (e.g., iron rings, hooks, etc.); hose clamps or clips; cleats other than shoe cleats; shackles other than chain shackles, of iron or steel	Gross Kg.
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(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO ALL BANKS
June 23, 1978

136/22

For your information and guidance, in connection with the requirements under Circular No. 590 dated December 28, 1977, amending Circular No. 567 dated May 4, 1977, that applications for any type of banking office shall not be accepted if there are two (2) or more approved but unopened offices, irrespective of type and category, in the same area or locality, attached is the list of approved but unopened additional banking offices as of May 31, 1978.

Every month, hereafter, we shall inform you of:

- a) Applications for additional banking offices approved during the month; and
- b) Additional banking offices opened during the month.

(SGD.) G. S. LICAROS
Governor

Approved But Unopened Additional Offices
(By Service Area)
As of May 31, 1978

<i>Service Area</i>	<i>Date</i>	<i>Type of</i>
	<i>Approved</i>	<i>Office</i>

I. *Metro Manila*

<i>Service Area</i>	<i>Date Approved</i>	<i>Type of Office</i>
A. Manila		
1. Arranque		
a) Phil. Bank of Communi- cations (Magdalena)	5-09-78	Branch
b) Phil. Bank of Communi- cations (Ongpin)	5-09-78	"
2. North Harbor		
a) Philippine Veterans Bank	4-02-78	Extension Office
3. Divisoria		
a) Producers Bank	5-18-78	Branch
b) Rizal Commercial Banking Corporation	5-26-78	"
4. Ermita		
a) Family Savings Bank	4-03-78	Branch
5. South Harbor		
a) Philippine Veterans Bank	4-02-78	Extension Office
6. Taft Avenue — Rizal Park		
a) Rizal Commercial Banking Corporation	1-31-78	Branch
B. Fort Bonifacio		
a) Philippine Veterans Bank	4-02-78	Extension Office
C. Las Piñas		
a) Royal SLA — Poblacion	4-12-77	Savings Agency
b) Royal SLA — Talon	4-12-77	Savings Agency
D. Makati		
1. Buendia Avenue -- Bel Air		
a) Family Savings Bank	4-03-78	Branch
2. Forbes Park		
a) Bank of PI	8-16-77	Branch
3. So. J. Rizal Avenue		
a) Manila Banking		

<i>Service Area</i>	<i>Date Approved</i>	<i>Type of Office</i>
Corporation	2-06-78	Branch
b) Consolidated Bank & Trust Company	4-25-78	"
E. Malabon Town Proper		
a) Rizal Commercial Banking Corporation	1-31-78	Branch
F. Mandaluyong		
1. Mandaluyong -- Crossing		
a) Commercial Bank & Trust Company	5-18-77	Branch
2. Shaw Blvd. -- Kalentong		
a) Bank of PI	4-17-78	Branch
C. Muntinlupa		
1. Muntinlupa (Poblacion)		
a) Second Laguna Development Bank	6-27-77	Savings Agency
b) Royal SLA	4-12-77	Branch
H. Navotas		
a) Producers Bank	2-06-78	Extension Office
b) Manila Banking Corporation	7-29-77	Branch
I. Parañaque		
1. MIA -- Nayong Pilipino		
a) Commercial Bank & Trust Company	10-17-77	Branch
2. Baclaran Public Market		
a) Philippine Savings Bank	4-20-78	Branch
J. Pasig		
1. Pasig Public Market		
a) Royal SLA	4-12-77	Branch
2. Capitol (Pasig)		
a) Security Bank & Trust Company	11-03-77	Extension Office

<i>Service Area</i>	<i>Date Approved</i>	<i>Type of Office</i>
K. Quezon City		
1. Cubao		
a) Producers Bank	2-14-78	Branch
2. Diliman		
a) Paluwagan ng Bayan SLA	4-15-77	Branch
3. Quadrangle District		
a) Bank of PI	8-16-77	Branch
4. Quirino District Loyola		
a) Philippine Trust Company	9-22-77	Sub-branch
b) Philippine Veterans Bank	4-02-78	Branch
c) Commercial Bank & Trust Company	5-16-78	"
L. Valenzuela		
a) Development Bank of Rizal	4-25-78	Branch
II. <i>Chartered Cities</i>		
A. Baguio City		
a) Commercial Bank & Trust Company	10-17-77	Branch
b) Banco Filipino	4-18-77	"
B. Cabanatuan City		
a) Bank of PI	4-17-78	Branch
C. Cagayan de Oro City		
a) Land Bank of the Philippines	7-21-76	Branch
b) Pacific Banking Corporation	1-04-78	"
D. Cebu City		
a) Land Bank of the Philippines	5-16-77	Branch
b) Rizal Commercial Banking Corp.	5-31-78	"
E. Laoag City		
a) Commercial Bank &		

<i>Service Area</i>	<i>Date Approved</i>	<i>Type of Office</i>
Trust Company	10-17-77	Branch
F. Legaspi City		
a) Land Bank of the Philippines	5-16-77	Branch
G. Mandaue City		
a) Cebu City SLA	7-14-77	Branch
b) Pacific Banking Corp.	11-03-77	"
H. Naga City		
a) Insular Bank of Asia & America	9-12-77	Branch
I. Oroquieta City		
a) United Coconut Planters Bank	1-15-78	Branch
J. Ozamis City		
a) Philippine Commercial & Industrial Bank	9-23-76	Moneyshop
K. Roxas City		
a) Homeowners SLA	12-09-77	Branch
b) Insular Bank of Asia & America	7-18-77	"
L. San Pablo City		
a) Homeowners SLA	12-09-77	Branch
b) Quezon Development Bank	4-19-78	"
M. Tagaytay City		
a) First Cavite SLA	5-12-78	Savings Agency
N. Zamboanga City		
a) Allied Banking Corporation	4-20-78	Branch
b) Philippine Veterans Bank	4-02-78	"

III. Municipalities

A. Abra

1. Bangued

a) Phil. Commercial & Industrial Bank	3-04-78	Extension Office
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<i>Service Area</i>	<i>Date Approved</i>	<i>Type of Office</i>
B. Albay		
1. Tabaco		
a) Pacific Banking Corporation	3-04-78	Branch
C. Batangas		
1. Lian		
a) Batangas SLA	5-12-78	Branch
2. Tanauan		
a) Quezon Development Bank	4-19-78	Branch
D. Bulacan		
1. Hagonoy		
a) Paluwagan ng Bayan SLA	2-28-76	Moneyshop
2. Malolos		
a) Commercial Bank & Trust Company	10-17-77	Branch
3. Paombong		
a) Paluwagan ng Bayan SLA	10-18-76	Savings Agency
4. Sta. Maria		
a) Planters Development Bank	8-25-77	Agency
E. Bukidnon		
1. Quezon		
a) Traders Royal Bank	4-11-78	Branch
F. Camarines Norte		
1. Daet		
a) Domestic SLA	3-10-78	Branch
G. Cagayan		
1. Tuguegarao		
a) Land Bank of the Philippines	7-21-76	Branch
b) Phil. Commercial & Industrial Bank	3-04-78	"

<i>Service Area</i>	<i>Date Approved</i>	<i>Type of Office</i>
2. Aparri		
a) Phil. Commercial & Industrial Bank	3-04-78	Extension Office
H. Davao del Norte		
1. Tagum		
a) Davao SLA	4-15-77	Branch
I. Ilocos Sur		
1. Vigan		
a) Phil. Commercial & Industrial Bank	3-04-78	Extension Office
J. Isabela		
1. Santiago		
a) Phil. Commercial & Industrial Bank	3-04-78	Branch
2. Ilagan		
a) Phil. Commercial & Industrial Bank	3-04-78	Extension Office
K. Laguna		
1. Los Baños		
a) Second Laguna Development Bank	6-27-77	Agency
2. Nagcarlan		
a) Laguna SLA	5-12-78	Branch
3. Pagsanjan		
a) Laguna SLA	5-12-78	Branch
L. La Union		
1. San Fernando		
a) Allied Banking Corporation	1-25-78	Branch
M. Mindoro		
1. Mamburao		
a) First Mindoro SLA	3-10-78	Branch

<i>Service Area</i>	<i>Date Approved</i>	<i>Type of Office</i>
2. Sablayan		
a) First Mindoro SLA	3-10-78	Branch
3. San Jose		
a) First Mindoro SLA	3-10-78	Moneyshop
N. Pampanga		
1. Apalit		
a) Agro-Industrial Development Bank	11-03-77	Extension Office
2. Macabebe		
a) Homeowners SLA	12-09-77	Agency
3. San Fernando		
a) Planters Development Bank	11-03-77	Savings Agency
b) Consolidated Bank & Trust Company	4-25-78	Branch
O. Pangasinan		
1. Urdaneta		
a) Consolidated Bank & Trust Company	5-11-78	Branch
P. Quezon		
1. Mulanay		
a) United Coconut Planters Bank	3-22-78	Branch
2. Atimonan		
a) Domestic SLA	3-10-78	Savings Agency
3. Tayabas		
a) Domestic SLA	3-10-78	Savings Agency
Q. Rizal		
1. Binangonan		
a) Capitol City Development Bank	5-11-78	Extension Office

MEMORANDUM TO ALL BANKS
October 17, 1978

SUBJECT: *Reserve requirements for borrowings from banks and non-bank financial intermediaries engaged in quasi-banking functions*

For purposes of uniformity in reporting reserves against inter-bank loans, banks shall submit the Consolidated Report of Required and Available Reserves Against Deposit Substitutes (CBP 7-16-22) in accordance with the attached form starting with the week ending October 28, 1978.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

(Attached form not reproduced)

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MEMORANDUM TO ALL BANKS
November 15, 1978

For purposes of implementing Section 8.1 of Circular 356, as amended, the format for reporting biographical data of directors and officers of banks shall be in accordance with the attached sample form. Accordingly, the form presently in use and the List of Relatives within the Second Degree of Consanguinity or Affinity prescribed under Circular-Letter dated December 7, 1976 shall be deemed superseded by the revised form.

In order to establish a common reference base, all incumbent directors and officers as of October 31, 1978 and those to be elected/appointed thereafter shall submit their updated biographical data in accordance with the revised form.

The biographical data shall be updated annually within 25 banking days after the end of calendar year. In the case of changes in educational attainment and experience in banking, only additional qualifications that will enhance the director's or officer's competence or will qualify him to his present position shall be reported.

The information required in the revised form are limited to items of operational significance. Thus, the form is designed to include the information needed to —

1. evaluate the educational qualification and work experience against the minimum standards set by existing regulations for a given management position;
2. determine compliance with regulations on interlocking directorates and officerships in financial intermediaries;
3. establish that officers by reason of their family relationships are qualified to hold the positions to which they are elected or appointed; and
4. guide bank examiners in regular and special examinations in verifying the accuracy and completeness of the reports on the magnitude of indirect loans to corporations and direct and indirect loans to directors, officers and their relatives.

Data required in present form which can be disclosed by investigation to be conducted by examiners were omitted in the revised form.

The form shall bear the following numbers as indicated for each type of reporting bank:

<i>Type of Bank</i>	<i>Form No.</i>
1. Commercial banks	— CBP 7-16-18 KB
2. Savings banks	— CBP 7-16-18 SB
3. Private development banks	— CBP 7-16-18 PDB
4. Specialized government banks	— CBP 7-16-18 SGB
5. Rural banks	— CBP 7-19-42 RB
6. Stock savings and loan associations	— CBP 7-19-42 SLA

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

(Attached forms not reproduced)

MEMORANDUM TO ALL COMMERCIAL BANKS

January 25, 1978

1364 (25)

**[REGULATIONS GOVERNING INTERBANK
LOAN TRANSACTIONS]**

In its Resolution No. 24 dated January 6, 1978, the Monetary Board adopted the following regulations governing interbank loan transactions of commercial banks:

1. All interbank loan transactions shall be submitted to the Central Bank Accounting Department by means of interbank loan advice or repayment transfer tickets not later than 7:30 P.M. of the same banking day that a loan transaction is consummated. For this purpose, interbank loan transactions shall include, among others, (a) call loan transactions, (b) borrowings evidenced by deposit substitute instruments, and (c) purchases of receivables with recourse.

2. The Central Bank Accounting Department shall not accept or give due course to interbank loan transfer tickets unless the following are complied with:

a. (1) *For Granting of Loans*

"Interbank loan advice transfer ticket" forms shall be used. The form to be accomplished by the lending bank, whose account shall be debited by the Central Bank, shall be white in color and the form to be accomplished by the borrowing bank, whose account shall be credited by the Central Bank, shall be green in color.

(2) *For Repayment of Loans*

"Interbank loan repayment transfer ticket" forms shall be used. The form to be accomplished by the borrowing bank making the payment and whose account shall be debited by the Central Bank, shall be yellow in color and the form to be accomplished by the lending bank receiving the payment and whose account shall be credited by the Central Bank, shall be pink in color.

b) Transfer tickets (prescribed forms attached as Annex "A-1" to "A-4") shall have a standard size of 4 3/4" x 8 1/2" and shall contain the following minimum data or information:

(1) Date of grant (white and green tickets), or date of repayment (yellow and pink tickets) of loan;

- (2) The rate of interest or yield, including service charges, if any, shall be shown on the lending tickets (white and green). The actual computation of the said interest must be shown on the repayment tickets (yellow and pink); and
 - (3) Repayment tickets (yellow and pink) shall make reference to the date of the corresponding tickets recording grant of the loan.
- c. Transfer tickets shall be signed or authenticated by officers whose names and specimen signatures are in the bank's list or book of Authorized Specimen Signatures, a copy of which shall be submitted to the Central Bank Accounting Department.
 - d. The bank whose account with the Central Bank is to be credited shall be responsible for making the necessary advice to the Central Bank of transaction, whether it be a grant or repayment of a loan, i.e., the loan advice tickets (white and green) shall be submitted to the Central Bank by the borrowing bank, while the loan repayment tickets (yellow and pink) shall be submitted to the Central Bank by the lending bank.
3. Both banks shall immediately pass the corresponding entries in their books and, upon receipt of a copy of the transfer ticket duly stamped "RECEIVED" by the Central Bank, the borrowing bank shall attach the same to the corresponding ticket debiting its Due from Central Bank account in its books and, in the case of the lending bank, to the same ticket passed in its books on the day payment is made.
4. All interbank loans shall be recorded by the borrowing bank as "Bills Payable — Interbank Loans" and shall be subject to reserve requirements of five per cent (5%).
5. All banks shall reconcile their clearing accounts with the Central Bank against Monthly Statements of Accounts to be furnished them by the Central Bank Accounting Department. Five copies of the reconciliation statement shall be submitted within ten (10) banking days from receipt of the Statements of Accounts from the Central Bank — the original and three copies to the Central Bank Accounting Department and one copy to the appropriate supervising department.
6. The maximum rate of interest or yield, including commissions, premiums, fees and other charges, for interbank loan transactions shall be subject to pertinent provisions of law and regulations.

7. Any director or officer of a bank who authorizes or knowingly allows the commission of acts in violation of the provisions of this Memorandum shall be liable to the penal sanctions of Sections 34 and 34-A of Republic Act No. 265, as amended.

This Memorandum which supersedes Memorandum to All Commercial Banks dated 13 March 1975 shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

(Attached forms not reproduced)

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MEMORANDUM CIRCULAR TO ALL COMMERCIAL BANKS
January 31, 1978 1365 (26)

Pursuant to Monetary Board Resolution No. 156 dated January 20, 1978, the following amendments to existing rules, regulations and procedures governing the rediscounting of eligible export papers shall take effect immediately:

- 1) Any bank that is eligible to rediscount and whose rediscount ceiling has already been saturated or fully availed of shall be entitled to an increase in its existing rediscount ceiling to the extent of 50%, which shall be used exclusively for the financing of non-traditional exports;
- 2) The proceeds of any rediscounting application covering exports shall be credited to the demand deposit account of the applicant bank on the same date the said application is filed with the Department of Loans and Credit, Central Bank, provided such application is received at or before 12:00 noon;
- 3) If after due processing, any or all of the papers offered/rediscounted are found ineligible/unacceptable as collateral for the loan, the clearing account of the commercial bank concerned shall be debited immediately for the amount corresponding to the loan value of the ineligible/unacceptable collaterals, plus accrued interest, at a rate which shall be 2% higher than the preferential rate for export papers; and
- 4) All existing circulars, orders and/or instructions inconsistent herewith shall be deemed revoked and/or modified accordingly.

It is understood that the maximum lending rate to be charged by commercial banks for papers covering export shall remain at 9% per annum as provided for under Circular No. 442 dated December 12, 1974.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO ALL COMMERCIAL BANKS
July 10, 1978 1766

The Monetary Board, in its Resolution No. 1033 dated June 23, 1978, approved as a matter of policy the applicability of the provisions of Circular No. 357, as amended, to the credit card operations of banking institutions as follows:

1. The credit card operations of a banking institution shall not be subject to the regulatory provisions of Circular No. 357, as amended, where the credit card holder is a director, officer or stockholder of the bank; provided that (a) the privilege of becoming a credit card holder is open to all qualified persons on the basis of selective criteria which are applied by the bank to all applicants thereof; and (b) the bank director, officer or stockholder concerned reimburses the bank for advances made on availments on his credit card within a period of thirty (30) days from the date the bank made such advances; and
2. If the director, officer or stockholder concerned fails to reimburse the bank within the 30-day period mentioned above, the transaction shall be subject to the applicable requirements of Circular No. 357, as amended.

Please be guided accordingly.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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MEMORANDUM TO ALL COMMERCIAL BANKS 1367
November 8, 1978 (14)

[Pursuing the Central Bank's commitment to simplify and rationalize the reports required of banks, the quarterly Statement of

Condition required from individual banking offices (CBP 7-16-02) has been modified to reflect the following changes:

1. Reduction in the number of account/line entries required due to the elimination of certain data elements which are more useful in the consolidated form of the statement (CBP 7-16-05);
2. Replacement of the three-peso, peso equivalent of foreign exchange accounts and total-amount columns by one peso amount column;
3. Inclusion in the report of the assignee office of loan and investment accounts assigned by other offices of the bank for purposes of complying with the investment-deposit ratio prescribed under Circular 536, as amended;
4. Inclusion of a valuation reserve account for each loan portfolio item, inclusive of assigned loans, as required in the uniform system of accounts. For this purpose the bank shall report to the Department of Commercial and Savings Banks its guidelines for allocating valuation reserves to the loan portfolio of its branches, agencies and extension offices required to maintain separate books of accounts; and
5. Change in report number to distinguish reports of commercial banks from other type of banks by affixing the initials KB. Thus, CBP 7-16-02 form of commercial banks shall henceforth bear the number CBP 7-16-02 KB.

For a more meaningful evaluation of the operations of banks in a given service area in the course of processing applications for establishment of new banking offices, each banking office whose accounts are consolidated with the financial statement of another banking office and are therefore not required to submit the following reports shall accomplish instead the Selected Financial Accounts form (CBP 7-16-02 KB-A):

1. Quarterly Statement of Condition (CBP 7-16-02 KB)
2. Semi-annual Statement of Earnings and Expenses (CB 7-16-04 KB).

Effective with the report as of December 31, 1978, therefore, commercial banks shall submit their quarterly Statement of Condition (CBP 7-16-02 KB) and Selected Financial Accounts report (CBP 7-16-02 KB-A) in accordance with the attached sample formats.

Please be guided accordingly.

(Attached forms not reproduced)

(SGD.) G.S. LICAROS
Governor

MEMORANDUM CIRCULAR TO ALL RURAL BANKS

NO. 78-20
April 5, 1978

The Monetary Board under its Resolution No. 328 dated, February 24, 1978, amended Section 131 of the Revised Rules and Regulations Governing Rural Banks to read as follows:

SEC. 131. [Renewal of Loans; General Rule; Requisites.]

Renewal of loans shall only be granted in highly meritorious cases, when:

- a. it will, in no way, prejudice the interest of the bank;
- b. it will improve the borrower's financial position and enable him to pay within the period of the renewal;
- c. at least twenty percent (20%) of the loan including interest, is paid; and
- d. the securities of the loan are not diminished or impaired in any manner whatever.

If, upon compliance with all the foregoing requisites, a renewal is granted, a new promissory note must be executed in the same manner and form provided for in Section 123. Such promissory note should, however, be stamped "Renewal" for immediate reference. In no case and under no circumstances shall more than two (2) renewals be granted."

(SGD.) G.S. LICAROS
Governor

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MEMORANDUM CIRCULAR TO ALL RURAL BANKS

October 20, 1978

SUBJECT: *Amending further Memorandum Circular to All Rural Banks, as amended, dated August 10, 1976, re-Participation of Rural Banks in the Financing of Small (Scale) Sized Industries under the Industrial Guarantee and Loan Fund (IGLF) Program.*

Pursuant to Monetary Board Resolution No. 1313 dated August 4, 1978, Memorandum Circular To All Rural Banks, dated January 18, 1972, as amended on August 10, 1976, specifically Items 2 and 3 thereof, is hereby further amended to read as follows:

x x x

x x x

x x x

- (2) To continue the IGLF sponsorship scheme for rural banks, but to be limited only to rural banks with no past due and/or restructured loans, inclusive of IGLF and CB-IBRD accounts; no plans of payment; and whose total past due ratio do not exceed twenty-five per cent (25%) of their total outstanding loans; and
- (3) To reduce the required paid-in capital of applicant rural banks, exclusive of government counterpart capital (preferred shares), from not less than ₱500,000 to not less than ₱300,000.

x x x

x x x

x x x

(SGD.) G.S. LICAROS
Governor

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MEMORANDUM CIRCULAR TO ALL RURAL BANKS
December 19, 1978 *13.70 (4)*

*[RULES AND REGULATIONS GOVERNING THE
LENDING PROGRAMS UNDER THE COTTAGE
INDUSTRY FUND (CIF)]*

Pursuant to Monetary Board Resolution No. 2042 dated December 8, 1978 and Presidential Memorandum Circular No. 1059 dated May 8, 1978, the following Rules and Regulations (hereinafter called Rules and Regulations Governing the Lending Program under the Cottage Industry Fund), are hereby prescribed by the Monetary Board and will govern this credit program to be carried out through the lending facilities of the Rural Banks under the supervision of the Central Bank for the financing of working capital of small cottage industries duly accredited by NACIDA utilizing the Cottage Industry Fund (CIF) from NACIDA.

Unless otherwise specified, the following terms have the following meaning whenever used in these Rules and Regulations Governing the Lending Program under the Cottage Industry Fund:

- a. *CB* — The Central Bank of the Philippines.
- b. *DRBSLA* — the Department of Rural Banks and Savings and Loan Associations.
- c. *DLC* — the Department of Loans and Credit.
- d. *Financing Institution* — a Rural Bank (RB) qualified to participate in this credit program in accordance with Section 1.

- e. *STD* — Special Time Deposit extended by CB to RB for financing loan applications.
- f. *Loan* — the loan extended by financing institutions to a borrower.
- g. *Borrower* — recipient of a loan from financing institution.
- h. *NACIDA* — the National Cottage Industry Development Authority.
- i. *Cottage Industry* -- an economic activity carried on in the homes or in other places for profit, with a capitalization not exceeding ₱100,000.00 at the time of registration and/or accreditation with NACIDA.

I. *PARTICIPATING RURAL BANKS*

Section 1. *Eligibility Requirements*

CB shall determine the Financing Institution through its Department of Rural Banks and Savings and Loan Associations, taking into account the following:

1.1 *Period of Operation*

The rural bank must have been in profitable operation for not less than one year.

1.2 *Liquidity Position*

- 1.a. RBs must be operating substantially in accordance with laws, rules and regulations governing rural banks;
- 1.b. RBs shall have a ratio of past due loans to total loans outstanding not exceeding 25%;
- 1.c. RBs rediscounting obligations should be within prescribed ceilings on non-supervised credit;
- 1.d. RBs must not have past due obligations with CB, in accordance with existing policy, and/or must have complied with the terms and conditions of its plan of payment with the CB and its restructured loans must not have exceeded ₱500,000.00.

Section 2.

Whenever there are established in any Law, Decree, General Order, Rule, Regulation, or other directive in force, standard or

criteria by way of ratios, percentages or otherwise, in relation to the factors enumerated in Section 1, such standards or criteria shall be deemed applicable for the purpose of conducting an evaluation of the credit worthiness under said Section 1.

II. *LOAN EXTENDED BY PARTICIPATING RURAL BANKS TO BORROWERS*

Section 3. *Purpose of Loan*

Raw materials, labor, light machinery and equipment to be used on viable cottage industries where the potential for increased production is clearly established, or where the potential for satisfying domestic demand or exportation of the excesses over domestic consumption, will be eligible for financing. The cost of machineries and equipment must not exceed 50% of the loan.

The cottage industry shall include economic activities carried on by students of public and private schools, within school premises, as a cooperative effort, under supervision of a teacher or other person approved by and acting under the supervision and control of school authorities, either as part of or in addition to ordinary vocational training, provided all profits shall accrue to the students working therein. It shall include the following:

- 3.1 *Fibercrafts*, such as making of abaca ropes and twines, buntal fiber extracting and buri leaf braiding;
- 3.2 *Woodcraft*, such as making of wooden shoes, wooden fans, walking sticks (canes) and woodcarving;
- 3.3 *Hat Weaving*, such as calasiao, buri, raffia, korogomoy, buntal and bamboo hats, salakot and helmet;
- 3.4 *Mat Weaving*, such as doormats, sleeping mats, made of buri, pandan, balilan, sakutan and other similar materials;
- 3.5 *Metalcraft*, such as making of jewelries, knives, boloos, scissors, razors, silverwares, and brassworks;
- 3.6 *Ceramics*, such as making of potteries, hollow-block, tiles, firebricks, clay stoves and other ceramic products;
- 3.7 *Shellcraft*, such as making of sea shell buttons and coconut shell products;
- 3.8 *Bamboo and Rattan craft*, such as making of hammocks, basketry, making of sawali and other bamboo and rattan furniture and articles;
- 3.9 *Small Agricultural Hand Tools*, such as plow points;

- 3.10 *Toycraft*, such as making of dolls and toys;
- 3.11 *Embroidery, Dressmaking and Tailoring Industries*;
- 3.12 *Needlecraft* (including knitting and crocheting);
- 3.13 *Loom Weaving*, such as making of fishnets, making of mosquito nets, weaving of Ilocano cloth, Igorot weaving, piña (Barong Pilipino) jusi and sinamay;
- 3.14 *Machine Parts manufacture*, such as wheels and stone mortars;
- 3.15 *Poultry* including Duck Raising and "Balut" making;
- 3.16 *Piggery*;
- 3.17 *Home cigar making*;
- 3.18 *Food Preservation and Canning*, including the making of vinegar, wine, lambanog, pili or peanuts confectionery or coconut candy (bucayo);
- 3.19 *Other related crafts*, such as making of brooms, pandan, nito and buri bags, "Korogomoy" bags, bead making, guitar and other manual instruments;
- 3.20 *Leather products*;
- 3.21 *Rubber products*; and
- 3.22 Such other industries done in the home with the aid of electrical gadgets and/or by hand manipulations.

Section 4. *Eligibility of Borrowers*

Cottage Industries of the applicant must be duly registered/ accredited with the NACIDA, having capitalization of not more than ₱100,000.00 at the time of the application of the loan.

Section 5. *Security*

- 5.1 Unsecured loan with a co-maker.
- 5.2 Loans may be secured by chattle mortgage on movable property, like machineries and equipment and inventory on finished goods and raw materials including those which are subject of financing.

Section 6. *Loan Limits*

The loan ceiling shall be as prescribed under Section 23 of General Banking Act, as amended, and it shall in no case exceed Twenty Thousand (₱20,000.00) Pesos.

Section 7. *Maturity of Loans*

Loan maturities shall not exceed one year.

Section 8. *Interest Rate*

The loan shall bear an effective interest rate of not more than 9% per annum plus bank charge not exceeding 1% per annum.

Section 9. *Penalty for Non-Payment*

A penalty rate of 5% per annum shall accrue, over and above the interest rate specified in Section 8 hereof, on any amount of the loan not paid on due date.

Section 10. *Loan Application and Processing*

10.1 Application for loan shall be filed with the qualified Financing Institution nearest the project to be financed and must be accompanied by the attached information sheet (Annex A) and the recommendation of the NACIDA Regional Manager or his duly authorized representative in the area.

10.2 The Financing Institution shall process and approve/disapprove the application. If approved, the Financing Institution shall apply for Special Time Deposit with the Department of Rural Banks and Savings and Loan Associations, attaching therewith STD Certificate for the loans approved and submitted for funding with the Central Bank.

Section 11. *Loans in Litigation*

In case of a suit for collection of the unpaid balance of a loan, there shall be collected from the Borrower, in addition to the interest and penalty interest on the loan imposed under Section 8 and 9 hereof, an attorney's fee equivalent to ten per cent (10%) of the unpaid balance, and costs of the suit.

III. *SPECIAL TIME DEPOSIT (STD)*

Section 12. *Special Time Deposits Application*

The Central Bank shall extend special time deposit with interest rate of 4% per annum to Financing Institution to finance 50% of the loans to be extended by them to applicants in accordance with these Rules and Regulations.

At any time, the Financing Institution may submit to CBDRBSLA its application for special time deposit supported by the following documents:

12.1 The list of borrowers with the corresponding project to be financed and the amount of approved loans.

- 12.2 Corresponding certificates of registration/accreditation with NACIDA.
- 12.3 Duly signed Certificate of Special Time Deposit issued by the rural bank which will be filled-up with the amount of the STD that will be approved by CB-DRBSLA.
- 12.4 Latest Statement of Financial Condition and Statement of Income and Expenses.
- 12.5 Reports of required and available reserves against deposit liabilities for the past four weeks immediately preceding the date of application.

Section 13. *Term of STD*

The STD shall be issued for a term of 60 days. Within 30 days from the receipt of STD, the participating Financing Institution must either release the same to the end-user or refund the unreleased portion to the CB-DRBSLA if not released after 30 days from receipt. Failure on the part of the rural bank to refund the unreleased portion of the STD shall subject the Financing Institution to a penalty of 14% per annum over and above the 5% interest of the STD.

IV. *REDISCOUNTING*

Section 14. *Rediscounting Application*

- 14.1 Loans granted under this program shall be rediscounted with the CB-DLC within 60 days from date of release of STD to the borrowers.
- 14.2 The application for rediscounting shall be supported by the following:
 - 14.a Duly accomplished rediscount schedule;
 - 14.b Borrowers' promissory notes duly endorsed by the rural bank together with the corresponding certificate of registration/accreditation with the NACIDA and any or all collateral documents securing said loans;
 - 14.c The rural bank's advice to the CB-DLC to remit rediscounting proceeds to the CB-DRBSLA to be applied in payment of the outstanding STD of the applicant rural bank;
 - 14.d The rural bank's signed promissory note in favor of the Central Bank;

- 14.e Resolution of the board of directors authorizing the rural bank to negotiate for the loan with the Central Bank and designating the officers authorized to endorse the promissory notes and sign all papers pertaining to the loan;
- 14.f Latest Statement of Financial Condition and Statement of Income and Expenses;
- 14.g Latest report on required and available reserves together with a certification that the rural bank has not incurred net reserve deficiencies for four consecutive weeks immediately preceding the date of its application; and
- 14.h Report on average monthly savings and time deposits during the past four months immediately preceding the date of its application.

Section 15. *Rate and Term of Rediscounting*

The CB-DLC shall rediscount eligible loans granted under this program at 80% of the loan at the rate of 4% per annum for a maximum term of 360 days provided that the paper presented for rediscounting bears an effective interest rate of 9% per annum plus bank charge not exceeding 1% per annum.

Section 16. *Repayment of Rediscounting Obligations*

Repayment of rediscounting obligations must be in accordance with the existing Rules and Regulations.

This Circular shall take effect immediately.

(SGD.) G.S. LICAROS
Governor

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MEMORANDUM TO ALL BANKS AND NON-BANK
FINANCIAL INTERMEDIARIES
January 27, 1978

It has come to the attention of the Inter-Agency Committee on Domestic Borrowings of Foreign Firms that some banks have been extending credit accommodations to foreign firms without indicating/reflecting said transactions at the back of the certification per conditions 1 and 2 of the certification.

In this connection, it is reiterated that the issuance of only one certification is designed to give notice to lending institutions in extending credit accommodations to foreign firms of a firm's maximum allowable level, but at the same time give the firms flexibility in choosing their credit sources.

Since control over the firms' limit of borrowings can only be achieved upon compliance with said condition, you are hereby enjoined to strictly comply with the conditions and requirements indicated in the certification.

(SGD.) JAIME C. LAYA
Deputy Governor
and
Co-Chairman

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MEMORANDUM
July 31, 1978

TO : ALL FINANCING COMPANIES PERFORMING
QUASI-BANKING FUNCTIONS

The Monetary Board, in its Resolution No. 1197 dated July 21, 1978, approved the following interpretations in connection with Republic Act No. 5980, as amended:

1. The assignment to a financing company performing quasi-banking functions (FC-QBF) of a post-dated check by an assignor who is also the drawer and payee thereof is not a discounting receivables within the contemplation of Republic Act No. 5980, as amended. Therefore, the transaction is a direct loan by the FC-QBF to the drawer/payee/assignor and shall be governed by the interest rate ceilings as prescribed by the Usury Law, as amended.

2. Where several post-dated checks of varying maturity dates issued by the drawers in favor of the assignor are assigned under one deed of assignment to a financing company performing quasi-banking functions, the maturity date of each post-dated check shall be considered in determining the purchase discount provided for in Republic Act No. 5980, as amended.

Please be guided accordingly.

(SGD.) G.S. LICAROS
Governor

MEMORANDUM TO ALL NON-BANK FINANCIAL
INTERMEDIARIES PERFORMING QUASI-BANKING
FUNCTIONS
July 31, 1978

1373
(38)

The Monetary Board, in its Resolution No. 1197 dated July 21, 1978, approved the following clarification in connection with the sale or assignment with recourse of receivables by non-bank financial intermediaries with quasi-banking functions:

[A sale or assignment with recourse of receivables by a non-bank financial intermediary performing quasi-banking functions constitutes a deposit substitute transaction. Accordingly, [it should be documented as a Certificate of Assignment with Recourse and is subject to pertinent regulations governing quasi-banking functions] The liability should be booked under the account "Bills Payable/Deposit Substitutes."

Please be guided accordingly.

(SGD.) G.S. LICAROS
Governor

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MEMORANDUM TO ALL BANKS AND NON-BANK
FINANCIAL INTERMEDIARIES ENGAGED IN
QUASI-BANKING FUNCTIONS
August 21, 1978

1374
(38)

In its Resolution No. 1341 dated August 11, 1978, [the Monetary Board clarified that treasury bills may form part of eligible reserves against deposit substitute liabilities of banks and non-bank financial intermediaries engaged in quasi-banking functions and that the rates of interest stated in the auction/award letter of the Central Bank shall be considered substantial compliance with the condition under Section 4 of Circular No. 552 and Section 3 of Circular No. 553.]

FOR THE MONETARY BOARD:

(SGD.) G.S. LICAROS
Governor

MEMORANDUM TO ALL BANKS AND NON-BANK
FINANCIAL INTERMEDIARIES WITH QUASI-BANKING
FUNCTIONS

September 5, 1978

1375
(26)

In connection with CB Circular No. 492 dated 2 January 1976 and Circulars No. 584-589 dated 24 December 1977, we are transmitting herewith for your guidance a set of clarificatory answers to various queries on the interpretation of the Circulars.

(SGD.) G.S. LICAROS
Governor

Attachment:

SUMMARY OF QUESTIONS AND ANSWERS

Circular 492

Q — 1 CB Circular No. 492, provides, among others, that interest on time deposits may be paid in advance but not to exceed the interest allowed for one year. However, there are several banks which pay a straight rate of 10% on a 360-day time deposit even if interest is paid in advance. The effective rate, in this case, would be more than the rate of 10% as set by the Central Bank. Is this in consonance with the intent of Circular No. 492?

Ans. Yes, the rates of interest prescribed in CB Circular No. 492 dated 2 January 1976 are nominal rates and not effective rates.

Circular 584

Q — 2 If a time deposit with a commercial bank is originally for 736 days at 14% p.a. and is pre-terminated on the 731st day, will the rate still be subject to a reduction of 10% p.a. notwithstanding the fact that in CB Circular No. 585, there is no interest ceiling for time deposits exceeding 730 days?

Ans. The time deposit preterminated on the 731st day shall still be subject to the reduced interest rates prescribed in Circular No. 584. While it is true that there is no interest ceiling for time deposits exceeding 730 days, the rate agreed upon by the parties concerned (in this example, 14% p.a.) shall constitute the fixed rate for such time deposit. Thus, pre-termination of the time deposit on the 731st day, would subject the same to the reduced rates appropriate for the period.

Q — 3 Under item 2.3, the yield rate of a deposit substitute withdrawn before maturity shall be reduced by not more than 3% for deposit substitutes with maturities of 730 days or less. Can financial intermediaries with quasi-banking functions elect not to impose the 3% reduction?

Ans. Yes.

Q — 4 Under item 2.3, if a deposit substitute with maturity of 730 days or less is preterminated 15 days from placement date, the yield rate may be reduced only by a maximum of 3%, whereas if a deposit substitute with maturity of over 730 days is preterminated 15 days from placement date, the yield rate shall be 4-1/2% p.a. Will this not tend to discourage long-term placements since pretermination of deposit substitutes with maturities of over 730 days will subject the placer to a lower yield than one whose placement has a maturity of 730 days or less?

Ans. No, as the 4-1/2% yield/rate indicated in the schedule is not a ceiling but a floor or minimum. In other words, financial intermediaries performing quasi-banking functions may pay a higher yield/rate than the 4-1/2% indicated therein.

Q — 5 a) Under item 3, is pretermination for time deposits and deposit substitutes a matter of right on the part of the depositor and/or placer?

b) If it is a depositor's/placer's right, what then is the liability of a bank that refuses prepayment of time deposits and deposit substitutes considering that the Central Bank gives the Bank the discretion to prepay or not?

c) Can an entity ask for reimbursement of the 35% transaction tax on money market placements from a placer who preterminates?

Ans. (a & b) — Pretermination is not a matter of right on the part of the depositor and/or placer since it requires the mutual consent of both parties i.e., in the absence of a stipulation to the contrary a bank may refuse prepayment of time deposits/deposit substitutes by invoking the maturity date fixed in the certificate of time deposit and/or deposit substitute instrument.

(c) — Not as a matter of right.

Q — 6 Is partial pretermination of a time deposit or deposit substitute allowed?

If so, is there a need to issue a new certificate/instrument for the remaining balance?

May the same terms and conditions on the original certificate/instrument be agreed upon by the parties for the remaining balance?

Ans. Yes, for certificates of deposits, partial pretermination is allowed. For deposit substitutes, partial pretermination is also allowed provided that the remaining balance meets the minimum trading lot requirement.

There is no need to issue a new certificate/instrument for the remaining balance. An annotation at the back of the certificate/instrument of the amount preterminated and the unpaid portion and the signature of authorized signatory will be sufficient.

Yes, the same terms and conditions on the original certificate/instrument may be agreed upon by the parties.

Circular 586

Q — 7 Under item 4, is payment of interest in advance allowed?

Ans. Yes, the payment of interest in advance for a period not exceeding one year is still allowed provided such payment of interest does not exceed the maximum effective interest prescribed in Circulars No. 585 and 586. Effective rate is defined in Circular No. 586.

Q — 8 Under item 4, can charges be collected in advance?

Ans. Yes, provided the charges are within the prescribed ceilings under Circular No. 504 and not exceeding one year.

Q — 9 There appears to be a conflict between the provisions of the Usury Law and CB Circular No. 586 in cases of prepayment of the loan by the debtor, who has paid interest for one year in advance. How should

the provisions of Section 6 of the Usury Law, as amended, be interpreted therefore in the light of item 4 of CB Circular No. 586 on effective rates of interest on loans that can be charged or received by all banks and non-bank financial intermediaries authorized to engage in quasi-banking functions?

Ans. There is no conflict between Section 6 of the Usury Law, as amended, and item 4 of CB Circular No. 586. Section 6 of the Usury Law specifically exempts creditors from the obligation to return the interests, commissions and premiums collected in advance if the debtor prepays his obligation, provided said interests, commissions and premiums correspond only to a period of one year and do not exceed the maximum rates fixed by said law. On the other hand, the effective rate of interest contemplated under item 4 of said Circular is computed on an annual basis with the loan assumed to run for the entire period stipulated by the parties thereto. If there is no agreement on the rebate of interest in the event of prepayment of the loan, then the creditor is not under any legal obligation to return the interest corresponding to the period from date of prepayment to the stipulated maturity date of the loan. Any prepayment made by the debtor should not therefore affect the computation of the effective rate stipulated in the loan contract.

Q — 10 May trust funds placed under a Fiduciary account of Investment Advisory account be used by the Trust Department to purchase receivables? If so, what rate shall we apply?

Ans. Yes, funds of trustor may be used to purchase receivables. Being bank funds, the rate prescribed under CB Circular No. 586 shall apply.

Q — 11 May banks impose a penalty for prepayment of loans? If so, will such penalty be included in the computation of effective rate?

Ans. The borrower cannot be prohibited from prepaying a bank loan in view of the provisions of Sec. 80 of R.A. No. 337, as amended. A stipulation requiring consent of the lending bank to such prepayment would be contrary to said provision of R.A. No. 337, as amended. In the absence of any stipulation as to penalty in case of prepayment in the loan contract, such prepayment cannot be subject to

penalty. However, the parties may stipulate that prepayment shall be subject to penalty provided that the penalty is not excessive or unconscionable.

- Q — 12 What rate should we apply on interbank loan transactions with maturity of less than 730 days — the 16% all-inclusive of effective rate as prescribed under paragraph 1 of CB Circular No. 586 or the rates of 12% and 14% per annum exclusive of charges mentioned under paragraph 4 of the same circular which were formerly used for interbank call loans?

Ans. Since the objective of both Circulars No. 585 and 586 is to stabilize and effect a reduction in interest rates, then the lower rate ceiling prescribed for the borrower under Circular No. 586 shall be applied.

Circular 587

- Q — 13 In order that past due advances (to DOSRI) on export may be excluded in determining the 5% required ratio of past due DOSRI loans to the bank's aggregate past due loans, the effective rate of interest charged on loans for financing export shall not exceed 9%. What portion of the loan should be charged 9%? Is it the whole amount of loan granted or only that portion corresponding to the loan value given by CB's rediscount window?

Ans. As mentioned in CB Circular No. 610 dated 19 May 1978, the 9% effective interest to be charged on loans for financing exports should be based on the entire amount of the loan granted and not only on the portion corresponding to the loan value given by the Central Bank rediscount window.

- Q — 14 In determining the 5% ratio of past due direct and indirect loans to directors, officers and stockholders, it is to be noted that parties covered under Circular No. 306 before its amendment pertain to directors, officers and stockholders; whereas under Circular No. 587, coverage is expanded to include related interest.

However, in its acceptance of papers covering loans to directors, officers and stockholders for rediscounting purposes, the related interests are not included. Is the exclusion deliberate? If so, please state the reason for the exclusion.

In the determination of the 5% ratio, please state also reasons for inclusion of "related interest."

Ans. The coverage of CB Circular No. 587 has not been expanded by the inclusion of related interest in the determination of the ratio of banks' past due loans to directors, officers and stockholders. Loans to related interests as contemplated in said Circular refer similarly to indirect loans to directors/officers/stockholders which are enumerated under Sec. 4, Part 1 of CB Circular 357, as amended.

Therefore, for purposes of determining the past due ratio of banks' direct and indirect loans to directors/officers/stockholders as well as for rediscounting purposes with the Central Bank, the term loans to "related interests" are construed to mean indirect loans to directors/officers/stockholders.

Q -- 15 In determining the 5% ratio, matured or past due advances on exports shall be excluded provided that such advances are past due loans for not more than thirty (30) days and the effective rate of interest to be charged by banks on their loans for financing exports shall not exceed nine per cent (9%) per annum. Will a bank certification to that effect to satisfy the requirement on interest rate be acceptable to show compliance; or will the examiner be required to verify each of the advances by computation as to the effective rate of interest?

Ans. A bank certification as to the 9% effective rate of interest on exports shall be sufficient and therefore the certifying bank shall be held liable for the certification so issued. Central Bank examiners shall review these transactions during regular/periodic bank examination.

Circular 588

Q -- 16 What is the rationale for giving banks 3% interest on their demand deposits with the Central Bank? Also please explain why or how the 3% rate was arrived at.

Ans. The 3% interest rate on bank deposits with the Central Bank was intended to provide a compensatory factor to the banks in the light of the new effective interest rate ceilings. The 3% interest

corresponds to the rate which the bank earns on the bulk of its reserve assets.

Q — 17 In the case of a certain commercial bank, there are substantial float items between the bank's demand deposit balances with the Central Bank per CB books as against its balances per its own books. What would be the basis for computing the 3% interest rate — is it the average daily balance per the bank's books or the average daily balance per Central Bank books?

Ans. The basis shall be the Central Bank books.

Q — 18 The reserves maintained by banks with the Central Bank are neither savings nor time deposits. Since Circular No. 588 authorizes the payment of the Central Bank of a 3% interest on these reserves, will the 3% interest be subject to the 15% withholding tax on interest?

Ans. No, the 3% interest income on deposits of banks with the Central Bank is not subject to the 15% withholding tax.

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MEMORANDUM TO ALL BANKS AND ALL NON-BANK
FINANCIAL INTERMEDIARIES PERFORMING
QUASI-BANKING FUNCTIONS

December 29, 1978

The Monetary Board in its Resolution No. 2007 dated 1 December 1978, clarified that, in the computation of interest on deposits as specified in Circular No. 492, as amended, and on loans/deposit substitutes/other credit accommodations as mentioned in Circulars No. 585 and 586 dated 24 December 1977, the number of days comprising a year shall be based on the following:

a) For time deposits/deposit substitutes and loans/other credit accommodations:

- when the term is one (1) year or more, a year shall mean 365 days; and
- when the term is less than one (1) year, the interest/yield shall be computed on the basis of 360 days in a year; and

- b) For savings deposits, where interests are computed daily/ monthly/quarterly, the basis shall be 360 days.

The attached illustrative examples/formulas shall be the basis for the computation of proceeds/discount rates on loans at effective rates of 12 and 14 per cent per annum.]

This Memorandum shall take effect on 1 January 1979.

(SGD.) G. S. LICAROS
Governor

(Attachments)

COMPUTATION OF PROCEEDS/DISCOUNT RATES OF A LOAN
FOR DIFFERENT PERIODS AT THE EFFECTIVE RATES OF
12 AND 14 PER CENT
BASIS: 365-day Year

A. FORMULA (For the computation of proceeds of a loan):

$$P = \frac{L}{1 + (i) \frac{n}{365}}$$

Where P — Proceeds of the loan
L — Face Value of the loan
i — Effective rate of interest
n — Term in days

B. FORMULA (For the computation of d, discount rate):

$$d = \frac{L - P}{L \left(\frac{n}{365} \right)} \times 100$$

EXAMPLE I — A loan of P1,000 discounted at an effective rate of interest of 12% per annum.

A. Proceeds		B. Discount Rate	
n = 365 days	$P = \frac{P1,000}{1 + (.12) \frac{365}{365}}$	d =	$\frac{P1,000 - P892.86}{P1,000 \left(\frac{365}{365} \right)} \times 100 = 10.714\%$
	= P892.86		
n = 360 days	$P = \frac{P1,000}{1 + (.12) \frac{360}{365}}$	d =	$\frac{P1,000 - P894.17}{P1,000 \left(\frac{360}{365} \right)} \times 100 = 10.730\%$
	= P894.17		

$n = 270 \text{ days } P = \frac{\text{₱1,000}}{1 + (.12) \frac{270}{365}}$	$= \text{₱918.47}$	$d = \frac{\text{₱1,000} - \text{₱918.47}}{\text{₱1,000} \left(\frac{270}{365} \right)} \times 100 = 11.022\%$
$n = 240 \text{ days } P = \frac{\text{₱1,000}}{1 + (.12) \frac{240}{365}}$	$= \text{₱926.87}$	$d = \frac{\text{₱1,000} - \text{₱926.87}}{\text{₱1,000} \left(\frac{240}{365} \right)} \times 100 = 11.122\%$
$n = 210 \text{ days } P = \frac{\text{₱1,000}}{1 + (.12) \frac{210}{365}}$	$= \text{₱935.42}$	$d = \frac{\text{₱1,000} - \text{₱935.42}}{\text{₱1,000} \left(\frac{210}{365} \right)} \times 100 = 11.225\%$
$n = 180 \text{ days } P = \frac{\text{₱1,000}}{1 + (.12) \frac{180}{365}}$	$= \text{₱944.13}$	$d = \frac{\text{₱1,000} - \text{₱944.13}}{\text{₱1,000} \left(\frac{180}{365} \right)} \times 100 = 11.329\%$
$n = 150 \text{ days } P = \frac{\text{₱1,000}}{1 + (.12) \frac{150}{365}}$	$= \text{₱953.00}$	$d = \frac{\text{₱1,000} - \text{₱953.00}}{\text{₱1,000} \left(\frac{150}{365} \right)} \times 100 = 11.437\%$
$n = 120 \text{ days } P = \frac{\text{₱1,000}}{1 + (.12) \frac{120}{365}}$	$= \text{₱962.05}$	$d = \frac{\text{₱1,000} - \text{₱962.05}}{\text{₱1,000} \left(\frac{120}{365} \right)} \times 100 = 11.543\%$
$n = 90 \text{ days } P = \frac{\text{₱1,000}}{1 + (.12) \frac{90}{365}}$	$= \text{₱971.26}$	$d = \frac{\text{₱1,000} - \text{₱971.26}}{\text{₱1,000} \left(\frac{90}{365} \right)} \times 100 = 11.655\%$

EXAMPLE II — A loan of ₱1,000 discounted at an effective rate of interest of 14% per annum.

A. Proceeds

B. Discount Rate

$n = 360 \text{ days } P = \frac{\text{₱1,000}}{1 + (.14) \frac{360}{360}}$	$= \text{₱877.19}$	$d = \frac{\text{₱1,000} - \text{₱877.19}}{\text{₱1,000} \left(\frac{360}{360} \right)} \times 100 = 12.281\%$
$n = 270 \text{ days } P = \frac{\text{₱1,000}}{1 + (.14) \frac{270}{360}}$	$= \text{₱904.98}$	$d = \frac{\text{₱1,000} - \text{₱904.98}}{\text{₱1,000} \left(\frac{270}{360} \right)} \times 100 = 12.669\%$
$n = 240 \text{ days } P = \frac{\text{₱1,000}}{1 + (.14) \frac{240}{360}}$	$= \text{₱914.64}$	$d = \frac{\text{₱1,000} - \text{₱914.64}}{\text{₱1,000} \left(\frac{240}{360} \right)} \times 100 = 12.804\%$
$n = 210 \text{ days } P = \frac{\text{₱1,000}}{1 + (.14) \frac{210}{360}}$	$= \text{₱914.50}$	$d = \frac{\text{₱1,000} - \text{₱924.50}}{\text{₱1,000} \left(\frac{210}{360} \right)} \times 100 = 12.943\%$
$n = 180 \text{ days } P = \frac{\text{₱1,000}}{1 + (.14) \frac{180}{360}}$	$= \text{₱934.58}$	$d = \frac{\text{₱1,000} - \text{₱934.58}}{\text{₱1,000} \left(\frac{180}{360} \right)} \times 100 = 13.084\%$
$n = 150 \text{ days } P = \frac{\text{₱1,000}}{1 + (.14) \frac{150}{360}}$	$= \text{₱944.88}$	$d = \frac{\text{₱1,000} - \text{₱944.88}}{\text{₱1,000} \left(\frac{150}{360} \right)} \times 100 = 13.229\%$
$n = 120 \text{ days } P = \frac{\text{₱1,000}}{1 + (.14) \frac{120}{360}}$	$= \text{₱955.41}$	$d = \frac{\text{₱1,000} - \text{₱955.41}}{\text{₱1,000} \left(\frac{120}{360} \right)} \times 100 = 13.377\%$

$$n = 90 \text{ days } P = \frac{\text{P}1,000}{1 + (.14) \frac{90}{360}} = \text{P}966.18 \quad d = \frac{\text{P}1,000 - \text{P}966.18}{\text{P}1,000 \left(\frac{90}{360} \right)} \times 100 = 13.528\%$$

CASE I. - If a loan of P1,00 with a term of 360 days is discounted and it is to be paid in equal quarterly installments, the proceeds can be computed as follows if the effective rate is 12%:

$$P = \frac{250}{1 + (.12) \frac{1}{4}} + \frac{250}{[1 + (.12) \frac{1}{4}]^2} + \frac{250}{[1 + (.12) \frac{1}{4}]^3} + \frac{250}{[1 + (.12) \frac{1}{4}]^4} = \text{P}929.28$$

$$\text{Therefore } d = \frac{1,000 - 929.28}{1,000 \left(\frac{360}{360} \right)} \times 100 = 7.072\%$$

$$\text{and } P = 1,000 \left(1 - \frac{7.072}{100} \times \frac{360}{360} \right) = \text{P}929.28$$

To check the results of the above computations:

	<i>Outstanding Principal</i>	<i>Installment Interest</i>	<i>Payments to cover Principal</i>
Q1	929.28	27.88	222.12
Q2	707.16	21.21	228.79
Q3	478.37	14.35	235.65
Q4	242.72	7.28	242.72

CASE II. - If the loan is to be paid in equal monthly installments, the proceeds from the loan are computed as follows if the effective rate is 12%:

$$P = \frac{1,000/12}{1 + (.12) \frac{1}{12}} + \frac{1,000/12}{[1 + (.12) \frac{1}{12}]^2} + \dots + \frac{1,000/12}{[1 + (.12) \frac{1}{12}]^{12}} = \text{P}937.92$$

$$\text{Therefore } d = \frac{1,000 - 937.92}{1,000 \left(\frac{360}{360} \right)} \times 100 = 6.208\%$$

$$\text{also } P = 1,000 \left(1 - \frac{6.208}{100} \times \frac{360}{360} \right) = \text{P}937.92$$

**COMPUTATION OF PROCEEDS/DISCOUNT RATES OF A LOAN
FOR DIFFERENT PERIODS AT THE EFFECTIVE RATES
OF 12 AND 14 PERCENT
BASIS: 360-day Year**

A. FORMULA (For the computation of proceeds of a loan):

$$P = \frac{L}{1 + (i) \frac{n}{360}}$$

Where P — Proceeds of the loan
L — Face Value of the loan
i — Effective rate of interest
n — Term in days

B. FORMULA (For the computation of d, discount rate):

$$d = \frac{L - P}{L \left(\frac{n}{360} \right)} \times 100$$

EXAMPLE I — A loan of ₱1,000 discounted at an effective rate of interest of 12% per annum.

<i>A. Proceeds</i>		<i>B. Discount Rate</i>	
n = 360 days	$P = \frac{₱1,000}{1 + (.12) \frac{360}{360}} = ₱892.86$	d =	$\frac{₱1,000 - ₱892.86}{₱1,000 \left(\frac{360}{360} \right)} \times 100 = 10.714\%$
n = 270 days	$P = \frac{₱1,000}{1 + (.12) \frac{270}{360}} = ₱917.43$	d =	$\frac{₱1,000 - ₱917.43}{₱1,000 \left(\frac{270}{360} \right)} \times 100 = 11.009\%$
n = 240 days	$P = \frac{₱1,000}{1 + (.12) \frac{240}{360}} = ₱925.93$	d =	$\frac{₱1,000 - ₱925.93}{₱1,000 \left(\frac{240}{360} \right)} \times 100 = 11.110\%$
n = 210 days	$P = \frac{₱1,000}{1 + (.12) \frac{210}{360}} = ₱934.58$	d =	$\frac{₱1,000 - ₱934.58}{₱1,000 \left(\frac{210}{360} \right)} \times 100 = 11.215\%$
n = 180 days	$P = \frac{₱1,000}{1 + (.12) \frac{180}{360}} = ₱943.40$	d =	$\frac{₱1,000 - ₱943.40}{₱1,000 \left(\frac{180}{360} \right)} \times 100 = 11.320\%$
n = 150 days	$P = \frac{₱1,000}{1 + (.12) \frac{150}{360}} = ₱952.38$	d =	$\frac{₱1,000 - ₱952.38}{₱1,000 \left(\frac{150}{360} \right)} \times 100 = 11.429\%$
n = 120 days	$P = \frac{₱1,000}{1 + (.12) \frac{120}{360}} = ₱961.54$	d =	$\frac{₱1,000 - ₱961.54}{₱1,000 \left(\frac{120}{360} \right)} \times 100 = 11.538\%$

$$n = 90 \text{ days } P = \frac{\text{₱}1,000}{1 + (.12) \frac{90}{360}} = \text{₱}970.87 \quad d = \frac{\text{₱}1,000 - \text{₱}970.87}{\text{₱}1,000 \left(\frac{90}{360} \right)} \times 100 = 11.652\%$$

EXAMPLE — A loan of ₱1,000 discounted at an effective rate of interest of 14% per annum.

A. Proceeds

B. Discount Rate

$$n = 365 \text{ days } P = \frac{\text{₱}1,000}{1 + (.14) \frac{365}{365}} = \text{₱}877.19 \quad d = \frac{\text{₱}1,000 - \text{₱}877.19}{\text{₱}1,000 \left(\frac{365}{365} \right)} \times 100 = 12.281\%$$

$$n = 360 \text{ days } P = \frac{\text{₱}1,000}{1 + (.14) \frac{360}{365}} = \text{₱}878.67 \quad d = \frac{\text{₱}1,000 - \text{₱}878.67}{\text{₱}1,000 \left(\frac{360}{365} \right)} \times 100 = 12.302\%$$

$$n = 270 \text{ days } P = \frac{\text{₱}1,000}{1 + (.14) \frac{270}{365}} = \text{₱}906.16 \quad d = \frac{\text{₱}1,000 - \text{₱}906.16}{\text{₱}1,000 \left(\frac{270}{365} \right)} \times 100 = 12.686\%$$

$$n = 240 \text{ days } P = \frac{\text{₱}1,000}{1 + (.14) \frac{240}{365}} = \text{₱}915.71 \quad d = \frac{\text{₱}1,000 - \text{₱}915.71}{\text{₱}1,000 \left(\frac{240}{365} \right)} \times 100 = 12.819\%$$

$$n = 210 \text{ days } P = \frac{\text{₱}1,000}{1 + (.14) \frac{210}{365}} = \text{₱}925.45 \quad d = \frac{\text{₱}1,000 - \text{₱}925.46}{\text{₱}1,000 \left(\frac{210}{365} \right)} \times 100 = 12.956\%$$

$$n = 180 \text{ days } P = \frac{\text{₱}1,000}{1 + (.14) \frac{180}{365}} = \text{₱}935.42 \quad d = \frac{\text{₱}1,000 - \text{₱}935.42}{\text{₱}1,000 \left(\frac{180}{365} \right)} \times 100 = 13.095\%$$

$$n = 150 \text{ days } P = \frac{\text{₱}1,000}{1 + (.14) \frac{150}{365}} = \text{₱}945.60 \quad d = \frac{\text{₱}1,000 - \text{₱}945.60}{\text{₱}1,000 \left(\frac{150}{365} \right)} \times 100 = 13.237\%$$

$$n = 120 \text{ days } P = \frac{\text{₱}1,000}{1 + (.14) \frac{120}{365}} = \text{₱}956.00 \quad d = \frac{\text{₱}1,000 - \text{₱}956.00}{\text{₱}1,000 \left(\frac{120}{365} \right)} \times 100 = 13.383\%$$

$$n = 90 \text{ days } P = \frac{\text{₱}1,000}{1 + (.14) \frac{90}{365}} = \text{₱}966.63 \quad d = \frac{\text{₱}1,000 - \text{₱}966.63}{\text{₱}1,000 \left(\frac{90}{365} \right)} \times 100 = 13.533\%$$

CASE I. - If a loan of ₱1,00 with a term of 360 days is discounted and it is to be paid in equal quarterly installments, the proceeds can be computed as follows if the effective rate is 14%:

$$P = \frac{250}{1 + (.14) \frac{1}{4}} + \frac{250}{\left[1 + (.14) \frac{1}{4} \right]^2} + \frac{250}{\left[1 + (.14) \frac{1}{4} \right]^3} + \frac{250}{\left[1 + (.14) \frac{1}{4} \right]^4} = \text{₱}918.27$$

$$\text{Therefore } d = \frac{1,000 - 918.27}{1,000 \left(\frac{360}{360} \right)} \times 100 = 8.173\%$$

$$\text{and } P = 1,000 \left(1 - 8.173 \times \frac{360}{100} \right) = \text{P}918.27$$

To check the results of the above computations:

	<i>Outstanding Principal</i>	<i>Installment Interest</i>	<i>Payments to cover Principal</i>
Q1	918.27	32.14	217.86
Q2	700.41	24.51	225.49
Q3	474.92	16.62	233.38
Q4	241.54	8.46	241.54

CASE II. - If the loan is to be paid in equal monthly installments, the proceeds from the loan are computed as follows if the effective rate is 14%:

$$P = \frac{1,000/12}{1 + (.14)\frac{1}{12}} + \frac{1,000/12}{[1 + (.14)\frac{1}{12}]^2} + \dots + \frac{1,000/12}{[1 + (.14)\frac{1}{12}]^{12}} = \text{P}928.17$$

$$\text{Therefore } d = \frac{1,000 - 928.17}{1,000 \left(\frac{360}{360} \right)} \times 100 = 7.183\%$$

$$\text{also } P = 1,000 \left(1 - 7.183 \times \frac{360}{100} \right) = \text{P}928.17$$

TABLE OF INTEREST ON ₱1.00 BASED ON A 360-DAY PERIOD

DISCOUNT RATES AT AN EFFECTIVE RATE OF INTEREST OF 12% PER ANNUM

No. of Days	(360 Days) 10.714%	(270 Days) 11.009%	(240 Days) 11.110%	(210 Days) 11.215%	(180 Days) 11.320%	(150 Days) 11.429%	(120 Days) 11.538%	(90 Days) 11.652%
1	.0002976	.0003058	.0003086	.0003115	.0003144	.0003174	.0003205	.0003236
2	.0005952	.0006116	.0006172	.0006230	.0006288	.0006349	.0006404	.0006473
3	.0008928	.0009174	.0009258	.0009345	.0009433	.0009524	.0009615	.0009710
4	.0011904	.0012232	.0012344	.0012461	.0012577	.0012698	.0012820	.0012946
5	.0014880	.0015290	.0015430	.0015576	.0015722	.0015873	.0016025	.0016183
6	.0017856	.0018348	.0018516	.0018691	.0018866	.0019048	.0019230	.0019420
7	.0020832	.0021406	.0021602	.0021806	.0022011	.0022223	.0022435	.0022656
8	.0023808	.0024464	.0024688	.0024922	.0025155	.0025397	.0025640	.0025893
9	.0026785	.0027522	.0027775	.0028037	.0028300	.0028572	.0028845	.0029130
10	.0029761	.0030580	.0030861	.0031152	.0031444	.0031747	.0032050	.0032366
20	.0059522	.0061161	.0061722	.0062305	.0062888	.0063494	.0064100	.0064733
30	.0089283	.0091741	.0092583	.0093458	.0094333	.0095241	.0096150	.0097100
40	.0119044	.0122322	.0123444	.0124611	.0125777	.0126988	.0128200	.0129466
50	.0148805	.0152902	.0154305	.0155763	.0157222	.0158736	.0160250	.0161833
60	.0178566	.0183483	.0185166	.0186916	.0188666	.0190483	.0192300	.0194200
70	.0208327	.0214063	.0216027	.0218069	.0220111	.0222230	.0224350	.0226566
80	.0238088	.0244644	.0246888	.0249222	.0251555	.0253977	.0256400	.0258933
90	.0267850	.0275255	.0277750	.0280375	.0283000	.0285725	.0288450	.0291300
100	.0297611	.0305805	.0308611	.0311527	.0314444	.0317472	.0320500	.0323666
120	.0357133	.0366966	.0370333	.0373833	.0377333	.0380966	.0384600	.0388400

150	.0446416	.0458708	.0462916	.0467291	.0471666	.0476208	.0480750	.0485500
180	.0535700	.0550450	.0555500	.0560750	.0566000	.0571450	.0576900	.0582600
210	.0624983	.0642191	.0648083	.0654208	.0660333	.0666691	.0673050	.0679700
240	.0714266	.0733933	.0740666	.0747666	.0754666	.0761933	.0769200	.0776800
270	.0803550	.0825675	.0833250	.0841125	.0849000	.0857175	.0865350	.0873900
300	.0892833	.0917416	.0925833	.0934583	.0943333	.0952416	.0961500	.0971000
360	.1071400	.1100900	.1111000	.1121500	.1132000	.1142900	.1153800	.1165200

TABLE OF INTEREST ON ₱1.00 BASED ON A 360-DAY PERIOD

DISCOUNT RATES AT AN EFFECTIVE RATE OF INTEREST OF 14% PER ANNUM

[476]

No. of Days	(360 Days) 12.281%	(270 Days) 12.669%	(240 Days) 12.804%	(210 Days) 12.943%	(180 Days) 13.084%	(150 Days) 13.229%	(120 Days) 13.377%	(90 Days) 13.528%
1	.0003411	.0003519	.0003556	.0003595	.0003634	.0003674	.0003715	.0003757
2	.0006822	.0007038	.0007113	.0007190	.0007268	.0007349	.0007431	.0007515
3	.0010234	.001055	.0010670	.0010785	.0010903	.0011024	.0011147	.0011273
4	.0013645	.0014076	.0014226	.0014381	.0014537	.0014698	.0014863	.0015031
5	.0017056	.0017595	.0017783	.0017976	.0018172	.0018373	.0018579	.0018788
6	.0020468	.0021115	.0021340	.0021571	.0021806	.0022048	.0022295	.0022546
7	.0023879	.0024634	.0024896	.0025166	.0025441	.0025723	.0026010	.0026304
8	.0027291	.0028153	.0028453	.0028762	.0029075	.0029397	.0029726	.0030062
9	.0030702	.0031672	.0032010	.0032357	.0032710	.0033072	.0033442	.0033820
10	.0034113	.0035191	.0035566	.0035952	.0036344	.0036747	.0037158	.0037577
20	.0068227	.0070383	.0071133	.0071905	.0072688	.0073494	.0074316	.0075155

30	.0102341	.0105575	.0106700	.0107858	.0109033	.0110241	.0111475	.0112733
40	.0136455	.0140766	.0142266	.0143811	.0145377	.0146988	.0148633	.0150311
50	.0170569	.0175958	.0177833	.0179763	.0181722	.0183736	.0185791	.0187888
60	.0204683	.0211150	.0213400	.0215716	.0218066	.0220483	.0222950	.0225466
70	.0238797	.0246341	.0248966	.0251669	.0254411	.0257230	.0260108	.0263044
80	.0272911	.0281533	.0284533	.0287622	.0290755	.0293977	.0297266	.0300622
90	.0307025	.0316725	.0320100	.0323575	.0327100	.0330725	.0334425	.0338200
100	.0341138	.0351916	.0355666	.0359527	.0363444	.0367472	.0371583	.0375777
120	.0409366	.0422230	.0426800	.0431433	.0436133	.0440966	.0445900	.0450933
150	.0511708	.0527875	.0533500	.0539291	.0545166	.0551208	.0557375	.0563666
180	.0614050	.0633450	.0640200	.0647150	.0654200	.0661450	.0668850	.0676400
210	.0716391	.0739025	.0746900	.0755008	.0763233	.0771691	.0780325	.0789133
240	.0818733	.0844600	.0853600	.0862866	.0872266	.0881933	.0891800	.0901866
270	.0921075	.0950175	.0960300	.0970725	.0981300	.0992175	.1003275	.1014600
300	.1023416	.1055750	.1067000	.1078583	.1090333	.1102416	.1114750	.1127333
360	.1228100	.1266900	.1280400	.1294300	.1308400	.1322900	.1337700	.1352800

TABLE OF INTEREST ON ₱1.00 BASED ON A 365- DAY YEAR
DISCOUNT RATES AT AN EFFECTIVE RATE OF INTEREST OF 12% PER ANNUM

No. of Days	(365 Days)	(360 Days)	(270 Days)	(240 Days)	(210 Days)	(180 Days)	(150 Days)	(120 Days)	(90 Days)
	10.714%	10.730%	11.022%	11.122%	11.225%	11.329%	11.437%	11.543%	11.656%
1	.0002935	.0002939	.0003019	.0003047	.0003075	.0003103	.0003133	.0003162	.0003193
2	.0005870	.0005879	.0006039	.0006094	.0006150	.0006207	.0006266	.0006324	.0006386
3	.0008806	.0008819	.0009059	.0009141	.0009226	.0009311	.0009400	.0009487	.0009580

4	.0011741	0011758	.0012078	.0012188	.0012301	.0012415	.0012533	.0012649	.0012773
5	.0014676	.0014698	.0015098	.0015235	.0015376	.0015519	.0015667	.0015812	.0015967
6	.0017612	.0017638	.0018118	.0018282	.0018452	.0018623	.0018800	.0018974	.0019160
7	0020547	.0020578	.0021138	.0021329	.0021527	.0021726	.0021933	.0022137	.0022353
8	0023482	.0023517	.0024157	.0024376	.0024602	.0024830	.0025067	.0025299	.0025547
9	.0026418	.0026457	.0027177	.0027424	0027678	.0027934	0028200	.0028462	.0028740
10	.0029353	.0029397	.0030197	.0030471	.0030753	.0031038	.0031334	.0031624	.0031934
20	.0058706	.0058794	.0060394	.0060942	.0061506	.0062076	.0062668	.0063249	.0063868
30	.0088060	.0088191	.0090591	.0091413	.0092260	.0093115	.0094002	.0094873	.0095802
40	.0117413	.0117589	.0120789	.0121884	.0123013	.0124153	.0125336	.0126498	.0127736
50	.0146767	.0146986	.0150986	.0152356	.0153767	.0155191	.0156671	.0158123	.0159671
60	.0176120	.0176383	.0181183	.0182827	.0184520	.0186230	.0188005	.0189747	.0191605
70	.0205473	.0205780	.0211380	.0213298	.0215273	.0217268	.0219339	.0221372	.0223539
80	.0234827	.0235178	.0241578	.0243769	.0246027	.0248306	.0250673	.0252997	.0255473
90	.0264180	.0264575	.0271775	.0274241	.0276780	.0279345	.0282008	.0284621	.0287408
100	.0293534	.0293972	.0301972	.0304712	.0307534	.0310383	.0313342	.0316246	.0319342
120	.0352241	.0352767	.0362367	.0365654	.0369041	.0372460	.0376010	.0379495	.0383210
150	.0440301	.0440958	.0452958	.0457068	.0461301	.0465575	.0470013	.0474369	.0479013
180	.0528361	.0529150	.0543550	.0548482	.0553561	.0558690	.0564016	.0569243	.0574816
210	.0616421	.0617342	.0634142	.0639895	.0645821	.0651805	.0658019	.0664117	.0670619
240	.0704482	.0705534	.0724734	.0731309	.0738082	.0744920	.0752021	.0758991	.0766421
270	.0792542	.0793726	.0815326	.0822723	.0830342	.0838035	.0846024	.0853865	.0862224
300	.0880602	.0881917	.0905917	.0914136	.0922602	.0931150	.0940027	.0948739	.0958027
360	.1056723	.1058301	.1087101	.0096964	.1107123	.1117380	.1128032	.1138487	.1149632
365	.1071400	.1073000	.1102200	.1112200	.1122500	.1132900	.1143700	.1154300	.1165600

TABLE OF INTEREST ON ₱1.00 BASED ON A 365-DAY YEAR

DISCOUNT RATES AT AN EFFECTIVE RATE OF INTEREST OF 14% PER ANNUM

No. of Days	(365 Days) 12.281%	(360 Days) 12.302%	(270 Days) 12.686%	(240 Days) 12.819%	(210 Days) 12.956%	(180 Days) 13.095%	(150 Days) 13.237%	(120 Days) 13.383%	(90 Days) 13.533%
1	.0003364	.0003370	.0003475	.0003512	.0003549	.0003587	.0003626	.0003666	.0003707
2	.0006729	.0006740	.0006951	.0007024	.0007099	.0007175	.0007253	.0007333	.0007415
3	.0010093	.0010111	.0010426	.0010536	.0010648	.0010763	.0010879	.0010999	.0011123
4	.0013458	.0013481	.0013902	.0014048	.0014198	.0014350	.0014506	.0014666	.0014830
5	.0016823	.0016852	.0017378	.0017560	.0017747	.0017938	.0018132	.0018332	.0018538
6	.0020187	.0020222	.0020853	.0021072	.0021297	.0021526	.0021759	.0021999	.0022246
7	.0023552	.0023592	.0024329	.0024584	.0024847	.0025113	.0025386	.0025666	.0025953
8	.0026917	.0026963	.0027804	.0028096	.0028396	.0028701	.0029012	.0029332	.0029661
9	.0030281	.0030333	.0031280	.0031608	.0031946	.0032289	.0032639	.0032999	.0033369
10	.0033646	.0033704	.0034756	.0035120	.0035495	.0035876	.0036265	.0036665	.0037076
20	.0067293	.0067408	.0069512	.0070241	.0070991	.0071753	.0072531	.0073331	.0074153
30	.0100939	.0101112	.0104268	.0105361	.0106487	.0107630	.0108797	.0109997	.0111230
40	.0134586	.0134816	.0139024	.0140482	.0141983	.0143506	.0145063	.0146663	.0148306
50	.0168232	.0168520	.0173780	.0175602	.0177479	.0179383	.0181328	.0183328	.0185383
60	.0201879	.0202224	.0208536	.0210723	.0212975	.0215260	.0217594	.0219994	.0222460
70	.0235526	.0235928	.0243293	.0245843	.0248471	.0251136	.0253860	.0256660	.0259536
80	.0269172	.0269632	.0278049	.0280964	.0283967	.0287013	.0290126	.0293326	.0296613
90	.0302819	.0303336	.0312805	.0316084	.0319463	.0322890	.0326391	.0329991	.0333690
100	.0336465	.0337041	.0347561	.0351205	.0354958	.0358767	.0362657	.0366657	.0370767
120	.0403758	.0404449	.0417073	.0421446	.0425950	.0430520	.0435189	.0439989	.0444920

150	.0504698	.0505561	.0521342	.0526808	.0532438	.0538150	.0543986	.0549986	.0556150
180	.0605638	.0606673	.0625610	.0632169	.0638926	.0645780	.0652783	.0659983	.0667380
210	.0706578	.0707786	.0729879	.0737531	.0745413	.0753410	.0761580	.0769980	.0778610
240	.0807517	.0808898	.0834147	.0842893	.0851901	.0861041	.0870378	.0879978	.0889841
270	.0908457	.0910010	.0938416	.0948254	.0958389	.0968671	.0979175	.0989975	.1001071
300	.1009397	.1011123	.1042684	.0153616	.1064876	.1076301	.1087972	.1099972	.1112301
360	.1211276	.1213347	.1251221	.1264339	.1277852	.1291561	.1305567	.1319967	.1334761
365	.1228100	.1230200	.1268600	.1281900	.1295600	.1309500	.1323700	.1338300	.1353300

**MEMORANDUM TO ALL COMMERCIAL BANKS, SAVINGS
BANKS, PRIVATE DEVELOPMENT BANKS, STOCK SAVINGS
AND LOAN ASSOCIATIONS AND FINANCING COMPANIES
AND ALL OTHERS CONCERNED**

14 August 1978

1377 (35)

In connection with Section 2-A of the Anti-Dummy Law, as amended by Presidential Decree No. 715, providing that foreigners cannot be officers or employees of commercial banks, savings banks, private development banks, stock savings and loan associations and financing companies, except in the case of technical personnel whose employment may be specifically authorized by the Minister of Justice, attention is invited to the following:

1. Procedural requirement under the Ministry of Justice Office Circular dated 28 May 1976 (disseminated to all banks and non-bank financial institutions under CB Notices dated 10 August and 5 October 1976), providing that applications of institutions concerned to employ foreign technical personnel shall be filed directly with the Ministry of Justice and that said Ministry shall, in turn, refer such application to the Central Bank and other appropriate government office for comment and recommendation.
2. The Minister of Justice is advising all financial institutions through the Central Bank, to refrain from commencing actual employment of foreign technical personnel until after the requisite authority is issued.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

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1378

**MEMORANDUM TO ALL COMMERCIAL BANKS,
THE LAND BANK OF THE PHILIPPINES AND THE
DEVELOPMENT BANK OF THE PHILIPPINES**

(37)

October 16, 1978

Re: Sub-Loans Under Circular 607

Please be advised that since the special funds for relending under Circular 607 are considered government funds within the context of Circular 481, the peso equivalent of the sub-loans to banking institutions shall be reported to the Central Bank under Item I.B.3 of the Consolidated Report on Government Funds Held (CBP 7-16-08).

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO ALL THRIFT BANKS
September 4, 1978

The Monetary Board, in its Resolution No. 1413 dated August 25, 1978, approved the amendment of the second paragraph, Section 3 of Memorandum to All Thrift Banks dated May 12, 1975 to read as follows:

The location of an authorized savings agency shall be at least ten (10) meters from an existing or previously approved but still unopened banking office, except where they are separated by a street.

This Memorandum shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO SAVINGS AND MORTGAGE BANKS
October 16, 1978

Subject: *Legal Reserves Deposited with PNB*

In connection with Circular-Letter dated August 4, 1977 which prescribes the transitory form for the Consolidated Report of Required and Available Reserves Against Deposit Liabilities (CBP-7-16-01) and paragraph 2 of Circular-Letter dated March 1, 1978 which defines the procedures for accounting deposits for legal reserves made by provincial head office or branches/other banking offices with PNB branches/agencies not authorized to maintain CHIT accounts, the balance of the "Due from PNB (For Legal Reserves)" account shall be reported as part of available reserves in Item 3.f. (1) of CBP 7-16-01 (Revised May, 1977), effective immediately.

The sum of the "Due from Central Bank" and the "Due from PNB (For Legal Reserves)" accounts shall be the basis for computing

the amount of available reserves in the form of deposits with the Central Bank.

Please be guided accordingly.

(SGD.) MERCEDES C. PADERES
Special Assistant to the Governor

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MEMORANDUM TO AIRLINE AND SHIPPING COMPANIES,
AND TRAVEL AGENCIES
January 4, 1978

Memorandum to Airline and Shipping Companies, and Travel Agencies dated August 15, 1977 is hereby amended as follows:

II. *Refund of Traffic Documents:*

1. Without prior specific authority of the Central Bank, Airline and Shipping Companies may refund the unused return portion of passenger's ticket issued in the Philippines, whether paid for in foreign currency or in Philippine peso, MCO's and XO's where the passenger has decided to extend his/her stay or to reside permanently abroad.
2. All other requests for refund, whether partially or totally unused, and/or whether or not foreign exchange for travel purpose has been purchased from authorized agent banks, must be referred to the Central Bank for prior clearance.

All Airline and Shipping Companies shall accomplish the attached report form of all passenger tickets refunded, and submit the same to the Foreign Exchange Department, Central Bank of the Philippines, not later than the 25th day from the end of the calendar quarter concerned.

Accordingly, the report form attached to the August 15, 1977 Memorandum to Airline and Shipping Companies, and Travel Agencies has been revised (please refer to the attached revised form).

The report for the last calendar quarter of 1977 shall be submitted on or before January 25, 1978.

Please be guided accordingly.

(SGD.) CESAR J. LOMOTAN
Deputy Governor

