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ANNUAL REPORT
1979



BANGKO SENTRAL NG PILIPINAS



BSPBK0009525

CENTRAL BANK OF THE PHILIPPINES
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 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

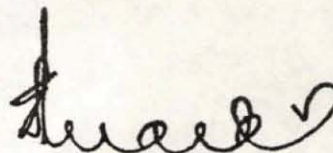
March 31, 1980

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 Thirty First Annual Report (1979) of the Central Bank of the Philippines.

Very respectfully,

A handwritten signature in black 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

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Governor, Central Bank of the Philippines

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

Roberto V. Ongpin
Chairman, Board of Investments

Cesar C. Zalamea

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Amado R. Briñas
Senior Deputy Governor

Benito Legarda, Jr.
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Research Sector

Eugenio Nierras, Jr.
Deputy Governor
Domestic Operations Sector

Cesar J. Lomotan
Deputy Governor
International 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 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.

Part One

ECONOMIC REVIEW

THE PHILIPPINE ECONOMY IN 1979

The most significant development in the Philippine economy in 1979 was the achievement of a 5.8 per cent increase in real GNP notwithstanding the impact of adverse world developments, particularly higher oil prices, inflation and slower output growth. The boost in petroleum prices led to domestic price and wage adjustments; inflation reached double-digit proportions despite controlled increases in the money supply. Higher oil prices also contributed substantially to the rise in imports. As this developed, the trade deficit grew despite the strong performance of exports during the year. The balance of payments ended in an overall deficit, partly moderated by positive flows of long-term capital and transfers.

Policy Directions

Money measures adopted in 1979 were aimed at containing inflationary pressures, supporting an improved trade position and sustaining growth by ensuring the flow of credit to preferred areas. More credit resources were made available to the export sector through such measures as the increase in the rediscount ceilings of commercial banks for export paper, particularly those covering non-traditional commodities.

Measures were also promulgated to dampen import demand, arising from speculative activities during the early part of the year. The authorities raised the reserve requirement against marginal deposits on import letters of credit and fixed the maturity of trust receipts arising from importations, without renewal or extension thereafter. The rein was drawn on import demand to mitigate further pressure on the trade balance and head off an artificial liquidity squeeze arising from the shift of funds to import financing.

Reform of the overall interest rate structure was started towards the end of 1979. The deposit and lending rate ceilings of banks and non-bank financial intermediaries with quasi-banking functions were raised 2 percentage points across the board mainly to align domestic interest rates with those prevailing in world financial centers. This action was envisaged to discourage capital outflows. Moreover, the hike in deposit rate ceilings was aimed at encouraging more bank deposits which posted a slower rate of increase in 1979 compared to 1978.

Amid inflationary conditions, fiscal policy played a generally disinflationary role. Cash operations resulted in a surplus and National Government balances with deposit money banks during the year accumulated, thus partly negating the latter's expansionary credit operations.

External Transactions

The balance of payments continued to be affected by unfavorable trade conditions in 1979, particularly the renewed hikes in petroleum prices. Despite the strong performance of exports which increased 34 per cent to \$4,601 million, the trade position deteriorated further as imports expanded by 30 per cent to \$6,142 million. The 1979 trade deficit was \$233 million bigger than that registered in 1978.

Over a third of the import growth was traced to oil and other petroleum products whose combined value increased 35 per cent despite the drop in the volume of imported crude oil. Oil prices rose by 35 per cent above their 1978 levels. Higher import values were also noted in transport equipment, machinery other than electric and base metals.

The boost in exports followed the improvement of commodity prices abroad and a higher volume of shipments from the Philippines. Much of the gain in total exports was attributable to increased earnings from copper concentrates, coconut oil, lumber and semi-conductor devices. It was noteworthy that the program of product diversification showed further gains with non-traditional exports as a group sustaining a 41 per cent increase for the year.

The surge in export prices led to a 4.3 per cent improvement in the country's net terms of trade and a 14.1 per cent rise in the purchasing power of exports.

With the merchandise trade deficit, and the non-merchandise trade account posting a deficit more than twice that in 1978, the current account closed the year with a \$1,561 million deficit. This was partly offset by net inflows of foreign capital which totalled \$1,153 million, down by 6.3 per cent from the previous year. As a result, the balance of payments registered an overall deficit of \$570 million compared to \$54 million in 1978.

The direction of the country's external trade showed the United States and Japan maintaining their combined share of over 50 per cent of the total. The countries of the European Economic Community and in the Middle East accounted for another fourth of external trade. The balance was transacted mainly with ESCAP members and socialist and communist countries.

At the end of 1979, the external debt stood at \$9,778 million, up 19 per cent from the end-1978 level. The maturity pattern of this debt reflected the conscious policy to reduce the share of short-term credits which accounted for only 2.4 per cent of total fixed-term loans; medium-term loans made up 5.4 per cent and long-term loans, 92.2 per cent.

The peso-dollar exchange rate went through small but continuous depreciations in the first four months due mainly to relatively large import payments made during the period. Thereafter, the rate fluctuated within narrow margins. The 1979 ave-

rage interbank rate of ₱7.3775 per U.S. dollar was 0.16 per cent higher than the previous year's average of ₱7.3658.

The international reserve increased \$540 million from \$1,883 million in 1978 to \$2,423 million at the end of 1979 notwithstanding the deficit in the balance of payments. The rise in the reserve level was reflected in the increase holdings of gold and SDRs and in an expansion of the foreign exchange assets of the Central Bank.

Internal Monetary Developments

The policy of providing productive sectors with adequate liquidity and stimulating new investments was manifested in the growth of monetary aggregates in 1979.

Domestic credits outstanding of the monetary system expanded by 26 per cent to ₱79,475 million. About 89 per cent of the rise in credits was traced to increased lending operations of deposit money banks. The monetary authorities accounted for the remaining 11 per cent through higher loans and advances and security holdings by the Central Bank. Moreover, the private sector continued to be the main user of credits being responsible for 84 per cent of the total outstanding level.

Expansionary trends were also reflected in an 11 per cent increase in domestic liquidity which stood at ₱57,360 million at the end of 1979. This increase came solely from the monetary system's increased lending operations. In fact, drawdowns in the system's net foreign and unclassified assets arising from the external payments deficit had contractionary effects on liquidity.

Making up a third of domestic liquidity, money supply went up by 11 per cent, slightly lower than the previous year's growth of 13 per cent. Savings and time deposits accounted for another 46 per cent of liquidity and deposit substitutes, the remaining 21 per cent. These latter liquidity components also registered increases during the year.

Although on an annual basis liquidity showed an expansion by end-1979, declines were registered particularly during the middle of the year. These reflected some degree of restraint exercised by the authorities to moderate inflationary pressures and mitigate the rise in speculative imports. After easing in the first quarter, money market rates started to go up in April, reversing their decelerating growth pattern since 1975. Market conditions generally began to tighten following greater funding requirements in the business sector, the deficit in the balance of payments and relatively controlled credit expansion.

Starting September, interest rates went down as import demand eased and the authorities injected fresh liquidity through the rediscount and repurchase windows of the Central Bank. However, higher rates were registered again in November through December when the average rate reached 14.516 per cent. The year-end rise resulted from substantial oil payments, settlement of matured peso-dollar swaps and the effects of the holiday season and corporate window-dressing activities.

Notwithstanding lower money supply growth, inflation climbed to double-digit rates in 1979 due mainly to the two adjustments in oil prices. These exerted upward pressures on other prices which necessitated wage adjustments to help the working population meet the higher cost of living. To some extent, the latter might have induced domestic demand as indicated by the faster growth of sales compared to production. Moreover, prices of commodities previously controlled moved up sharply following the termination of the price control law.

In Metro Manila, consumer prices increased 18.8 per cent, more than double the inflation rate in 1978. There was a substantial rise in food prices principally as cereal preparations and fish products became more costly; non-food items also showed a big jump in prices, particularly for services and fuel, light and water. Consequently, the purchasing power of the peso weakened further to ₱0.42 in 1979 from ₱0.49 in 1978 on a 1972 base year.

It may be noted however that the consumer price index for the Philippines showed a lower increase of 16.5 per cent.

Production, Employment and Gross Sales

Major economic sectors managed to register increased output in 1979 notwithstanding the series of oil-price hikes and the dampening effects of bad weather. The combined agriculture, fishery and forestry production index rose by 6 per cent as in 1978 following the strong performance of agricultural crops. Self-sufficiency in corn was attained for the first time and in the case of rice a further increase in output enabled the country to continue exporting to other countries. Largely owing to improved metal prices abroad, the mining and quarrying sector recovered strongly with a 4 per cent gain in output after posting lower production in 1978. Likewise, manufacturing production improved by over 4 per cent despite the direct impact of costlier oil on this sector.

Other sectors also performed better in 1979, particularly construction and real estate. Electric power generation continued to show an improvement during the year, with the operation of geothermal plants.

These increases in production led to higher levels of employment, with the Central Bank index rising 7 per cent in 1979, more than three times the gain in 1978. The increase in employment was attributable largely to the construction industry and the financing-insurance-real estate-business services group. Moreover, due mainly to legislated wage adjustments, the average monthly earnings of salaried employees and wage earners improved by about 25 per cent during the year.

The gross sales index went up by 16 per cent in 1979, with all industry groups, except the wholesale and retail sector, posting substantial growth rates. The community, social and per-

sonal services group, the electricity, gas and water group and the manufacturing sector displayed the biggest increases in sales.

Looking Ahead

The achievement of further economic growth in 1979 even under difficult conditions provides for guarded optimism into 1980. Continuing structural shifts from previous years, particularly in the pattern of exports and the sourcing of energy, augur well for balance of payments improvement. A judicious financial program for the year aims to head off further inflationary pressures while allowing expansion in preferred activities. However, the possibility of continuing external pressures like another round of oil-price increases will require responsive and appropriate policy measures to steer the economy through adverse developments toward sustained growth and stability.

Two areas of concern in 1979 were the balance of payments and inflation. Improvements in these areas are anticipated in 1980. A much lower external deficit than in 1979 is expected following a projected improvement in the trade balance. While imports may climb to higher levels in 1980, increased exports are expected to compensate for import growth. Financial assistance will continue to be directed to export activities considering this sector's crucial role in propelling economic growth.

The containment of further inflationary pressures will be undertaken through a financial program that will at the same time provide for adequate funds in productive sectors. This reflects the maintenance of the Central Bank's selective credit policy aimed at both economic advancement and monetary stability. Other measures including tariff reductions for imported basic commodities and the on-going rationalization of interest rates are expected to contribute to the fight against inflation.

Reforms are envisaged in the financial system considering changing development requirements, particularly the need for long-term investment funds. The planned reforms will enable the system to mobilize more financial savings of longer maturities, making it a full partner of industry in promoting Philippine economic growth. At the same time, the government's savings mobilization campaign will be intensified further.

With these anticipated developments and planned policy measures, looking ahead into 1980 reveals a scenario of sustained growth and improved stability in the Philippine economy.

Monetary Policy

Monetary policy in 1979 once again had to strike a balance between maintaining growth momentum and restraining inflationary pressures. Credit preference went to selected sectors deemed critical to development and growth while some restrictions, particularly in mid-1979, were aimed at containing inflationary pressures and dampening import demand in the face of a growing trade deficit.

Existing monetary and credit measures were rationalized to enhance their effectiveness in promoting a conducive environment for investment and development. Bank deposit and lending rate ceilings were increased 2 percentage points across the board in order to align domestic interest rates with those in world financial markets. The financial system was also subjected to some serious reexamination with the end in view of increasing its effectiveness in the mobilization of domestic resources.

A number of supportive circulars were promulgated in 1979 touching on, among others, the credit facilities of the Central Bank and day-to-day operations of financial intermediaries. Measures on rediscounting issued during the year were mostly for export financing such as:

1. Circular No. 658 which allowed commercial banks to avail themselves of an additional 50 per cent based on their existing basic rediscount ceiling. This, in effect, increased export financing for all commercial banks to 100 per cent of their basic rediscount lines;
2. Circular No. 668 which set a loan value of 100 per cent and a rediscount rate of 3 per cent per annum for the rediscounting of eligible paper of export-oriented, small-scale cottage industries involving accounts not exceeding ₱1 million; and
3. Circular No. 671 prescribing the eligibility of paper of exporters of services and construction contracts for rediscounting under Sec. 87 (b-1) of the Central Bank Act, as amended.

Regulations pertaining to importation were also issued such as 1) the increase in reserve requirement against marginal deposits on all import letters of credit (Circular No. 683); 2) exclusive eligibility of Treasury bonds and notes with interest rates not exceeding 4 per cent per annum as reserves against marginal deposits on all import letters of credit (Memorandum to Authorized Agent Banks dated July 27, 1979; and 3) fixing the maximum ma-

turity of trust receipts arising from importations at 90 days (Memorandum to Authorized Agent Banks dated July 6, 1979).

Rules and regulations of various financing and loan funds of rural banks were also issued and amended. These included the Lending Program under the Virginia Tobacco Trading Loan Fund (Circular No. 670), the Cooperative Finance System (Circular No. 674), the Lending Program under the Cottage Industry Fund (Circular Nos. 677 and 701), the Grains Quedan Financing Program (Circular No. 680) and the Agrarian Reform Credit and Agricultural Credit (Circular No. 687).

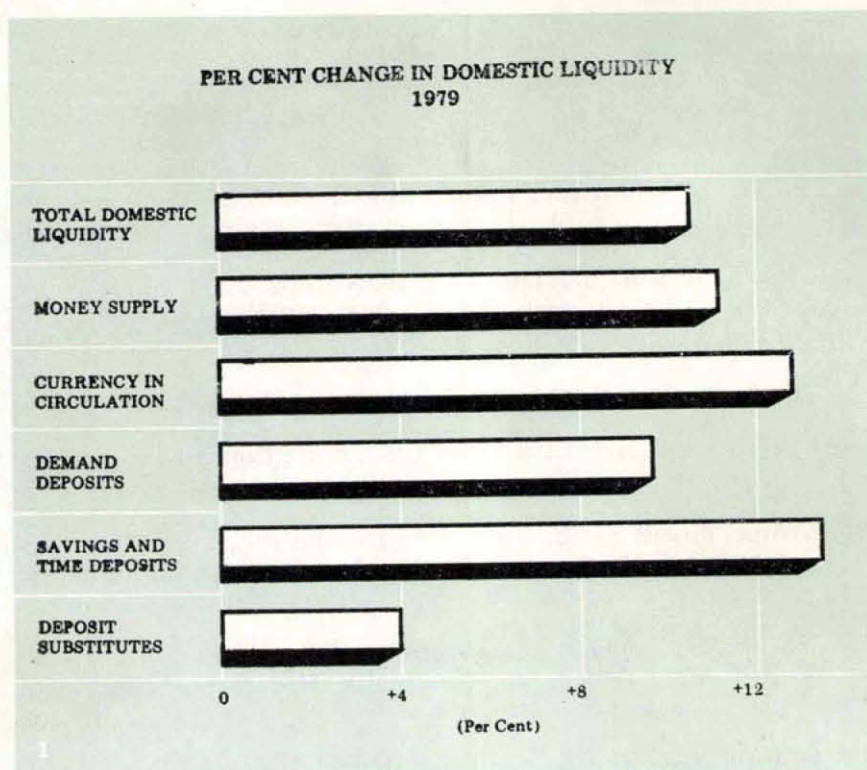
Other circulars issued covered various aspects such as:

1. Treatment of Matured and Unclaimed Deposit Substitutes (Circular No. 675).
2. Amendment to the guidelines for the special lending operations of the Central Bank relative to its Consolidated Foreign Borrowings Program (Circular No. 690);
3. Rules and regulations governing the grant of authority to thrift banks to accept Negotiable Orders of Withdrawal (NOW) accounts (Circular No. 695);
4. Authority given to non-bank financial intermediaries with quasi-banking license to issue long-term bonds to fund their lending operations (Circular No. 659);
5. Amendments to regulations on domestic borrowings of foreign firms (Circular Nos. 657 and 709);
6. Inclusion of the Hongkong dollar, Singapore dollar and Belgian franc as part of the Philippines' international reserve (Circular No. 665); and
7. Revised policy and guidelines on short-term foreign borrowings (Circular No. 685).

Domestic Liquidity

As of year-end 1979, domestic liquidity totalled P57,360 million. This represented an annual increment of 11 per cent over the end-December 1978 level. The increase came from the growth of the monetary system's net domestic assets, particularly in its domestic credits to the private and public sectors. However, the expansionary impact of the rise in domestic assets was not fully felt in the liquidity stream as drawdowns in the system's net foreign and unclassified assets generated contractionary effects. Moreover the increase in the monetary system's other liabilities partly dampened the rise of domestic liquidity.

Total domestic liquidity traced an upward trend during the first four months, moving downwards towards the middle of the year and finally continuing its ascent during the last quarter. The fall in liquidity levels during the middle of the year reflected the



tighter rein placed by the monetary authorities on credit expansion in order to cushion the resurging inflationary pressures brought about by the string of oil price hikes.

The total liquidity level may be broken down into money supply, which comprised 33 per cent; savings and time deposits, 46 per cent; and deposit substitutes, 21 per cent.

Money supply amounted to P18,844 million, representing an annual increment of 11 per cent. Of this total, P9,182 million or 49 per cent took the form of money in circulation while P9,662 million or 51 per cent were in the form of demand deposits.

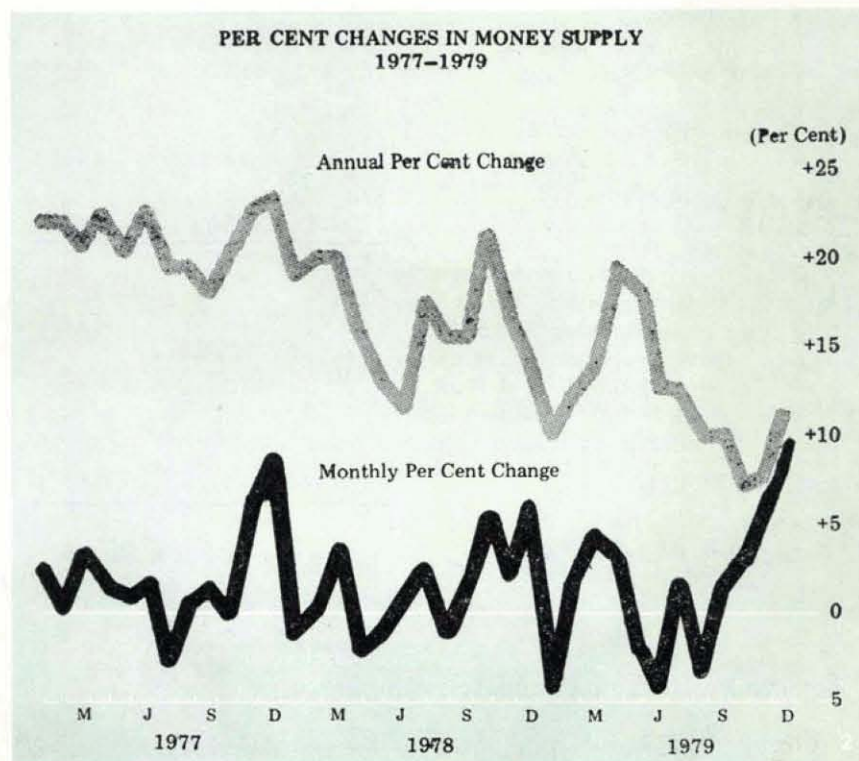
TABLE 1. — DOMESTIC LIQUIDITY
December 31, 1978 and 1979
(Million Pesos)

	1979	1978	Per Cent Change
TOTAL DOMESTIC LIQUIDITY	57,360.0	51,837.2	10.6
Money Supply	18,843.6	16,945.5	11.2
Currency in Circulation	9,181.7	8,135.0	12.9
Demand Deposits	9,661.9	8,810.5	9.7
Savings and Time Deposits	26,565.5	23,397.8	13.5
Deposit Substitutes	11,950.9	11,493.9	4.0

The ₱1,898 million increase in money supply was of internal origin, specifically arising from the private sector's transactions. Increased loans of the private sector from the commercial banking system as well as more Central Bank loans extended to the Development Bank of the Philippines, savings banks and other rural banks greatly expanded money supply. These additions more than offset the contractions generated by the increases in the private sector's savings and time deposits, deposit substitutes and net miscellaneous accounts of the commercial banking system. Thus, money of internal origin stood at a level of ₱23,912 million as of the end of the year.

Money of external origin registered a negative amount of ₱5,068 million compared to minus ₱596 million in December 1978. Gross foreign exchange assets of both the Central Bank and the commercial banking system exerted positive influences on money supply. However, their foreign exchange liabilities also increased, thus leading to a net contraction of ₱4,472 million in money of external origin.

Savings and time deposits registered a 14 per cent increment and aggregated ₱26,565 million. This year's growth rate decelerated when compared to rates obtaining in previous years. High inflation rates prevailing in 1979 as well as the competition offered by higher yielding deposit substitutes and other investments alternatives partly accounted for the slower growth in savings and time deposits.



Deposit substitutes, at a level of ₱11,951 million, increased by 4 per cent. Yields/rates on deposit substitutes rose to higher levels in 1979, thus accounting for their observed increase and the reversal of the decelerating growth pattern obtaining since 1975.

TABLE 2. — FACTORS RESPONSIBLE FOR MONEY SUPPLY MOVEMENT
December 31, 1978 and 1979
(Million Pesos)

	1979	1978	Net Effect on Money Supply
I. MONEY OF INTERNAL ORIGIN	<u>23,912.0</u>	<u>17,541.5</u>	<u>+ 6,370.5</u>
A. Public Sector	<u>10,733.3</u>	<u>11,801.8</u>	<u>— 1,068.5</u>
1. National Government	4,229.4	4,480.6	—251.2
2. Local Government and Semi- Government Entities	6,503.9	7,321.2	—817.3
B. Private Sector	<u>13,178.7</u>	<u>5,739.7</u>	<u>+ 7,439.0</u>
Credits of the Central Bank and the Commercial Banking Sys- tem	67,188.7	51,425.7	+15,763.0
Less: Savings and Time Deposits	25,371.1	22,272.7	— 3,098.4
Marginal Deposits	3,143.5	2,837.2	—306.3
Deposit Substitutes	11,950.9	11,493.9	—457.0
Net Miscellaneous Accounts of the Commercial Bank- ing System	13,178.7	9,082.2	— 4,462.3
II. MONEY OF EXTERNAL ORIGIN	<u>(5,068.4)</u>	<u>(596.0)</u>	<u>— 4,472.4</u>
Gross Foreign Exchange Assets of the Central Bank and the Commercial Banking System	28,712.6	24,393.1	+ 4,319.5
Less: Foreign Exchange Liabili- ties of the Central Bank and the Commercial Banking System	33,781.0	24,989.1	— 8,791.9
III. MONEY SUPPLY	<u>18,843.6</u>	<u>16,945.5</u>	<u>+ 1,898.1</u>

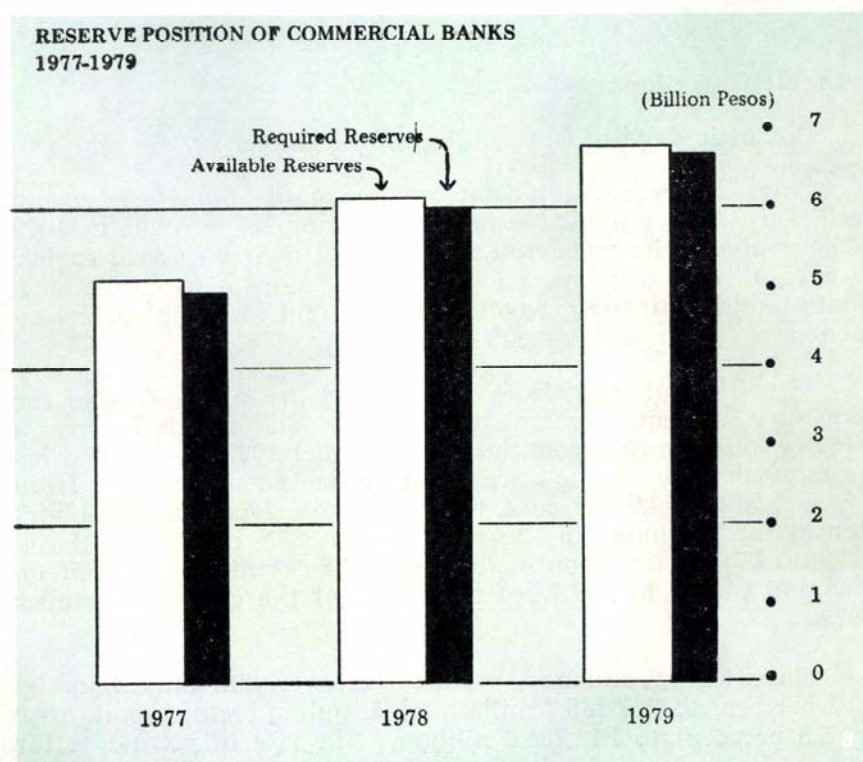
+ / Plus (+) sign indicates the magnitude of the increase and minus (—) sign, the decrease in money supply.

Reserve Position of Commercial Banks

Commercial banks presented a less liquid position in 1979 than in 1978, with generally lower monthly excess reserve ratios.

A review of the movement of the monthly excess reserve position of banks during 1979 showed the banks to be more liquid during the first five months. The liquidity position, however took a negative turn in June, notwithstanding the 2 per cent contraction in deposits. A deficit of P60 million was incurred forcing banks to borrow from the money market. Interbank call loan rates responded by posting a high average rate of 14,921 per cent (.261 percentage points above the rate obtained in May), subsiding later to 11.747 per cent in September and to a low of 10.476 per cent in October, an indication of the easing up of demand for liquidity by the banking system.

An increase in average reserves in December placed commercial banks in a relatively more liquid position compared to December, 1978. During the 12-month period, both deposit liabilities and mandatory reserves went up by 12.0 per cent to P33,550 million and P6,701 million, respectively. Banks' reserves on the other hand grew at a faster pace of 12.6 per cent, thus leaving banks with surplus reserves amounting to P192 million, P52 million greater than the P140 million excess registered last year.



At the end of the period under review, reserve assets consisted of the following: deposit balance with the Central Bank, P4,032 million; cash in banks' vaults, P1,122 million; government securities, P1,733 million; and foreign balances amounting to P7 million. On the other hand, potential reserves, all in the form of eligible foreign balances aggregated P460 million.

TABLE 3. — RESERVE POSITION OF COMMERCIAL BANKS
1978 and 1979
(Million Pesos)

	1979	1978
Deposit Liabilities	33,550	29,941
Available Reserves	6,893	6,122
Deposit Balance with CB	4,032	2,829
Cash in Bank Vaults	1,122	1,075
Government Securities	1,733	2,213
Foreign Balances	6	5
Required Reserves	6,701	5,982
Excess/Deficiency in Reserves	192	140
Liquidity Ratios (In per cent of Deposit Liabilities):		
Available Reserves	20.5	20.4
Required Reserves	20.0	20.0
Excess/Deficiency in Reserves	0.6	0.5

Credit Operations

Domestic Credits Outstanding of the Monetary System.

Total domestic credits outstanding of the monetary system reflected a larger annual expansion rate of 26 per cent in 1979 as compared to its registered growth of 23 per cent a year earlier as a result of monetary policy measures adopted to ensure adequate liquidity to the productive sectors and to stimulate investments.

As of December 31, 1979, domestic credits outstanding of the monetary system aggregated P79,475.0 million, reflecting a P16,399.9 million rise from the end-December 1978 level. This was brought about by cumulative monthly increments ranging from 1.3 per cent to 4.9 per cent, as credits rose from P63,075.1 million at the beginning of the year, to P67,564.4 million in March 1979, to P71,227.6 million in June, to P73,505.1 million in September, and finally to P79,475.0 million as of the end of December 1979.

Classified by end-user, private sector credits moved up by 30.7 per cent to P67,188.7 million while public sector credits rose by 5.5 per cent to P12,286.3 million. The rise in private sector

credits was attributed to increased loan availments by the DBP, Land Bank, non-demand deposit rural banks, thrift banks from the Central Bank and by private businesses and individuals from deposit money banks. On the other hand, the moderate expansion in credits to the public sector was traced to the increase in loan accommodation of the Central Bank to the national government and to the Bank's net acquisition of national government securities which more than compensated for the increase in national government deposits with the monetary system.

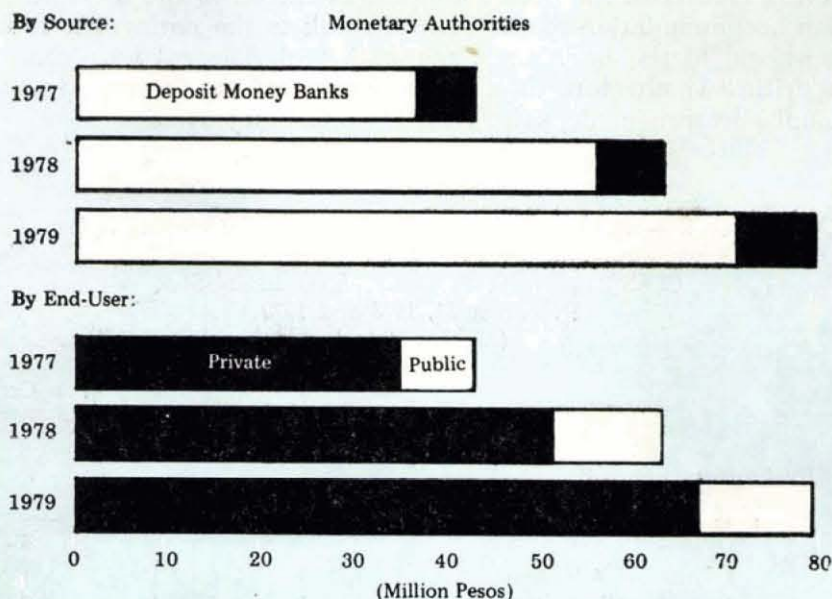
TABLE 4. — DOMESTIC CREDITS OUTSTANDING OF THE
MONETARY SYSTEM
CLASSIFIED BY SOURCE AND END-USER
December 31, 1978 and 1979
(Million Pesos)

	1979	1978	Per Cent Change
A. By Source			
1. Monetary Authorities	8,761.2	7,105.0	23.3
Loans and Advances	7,767.9	6,466.1	20.1
Domestic Securities	3,292.1	3,268.4	0.7
Less: Government Deposits	2,298.8	2,629.5	(12.6)
2. Deposit Money Banks	70,713.8	55,970.1	26.3
Loans and Advances	69,740.7	54,069.3	29.0
Domestic Securities	5,145.5	4,449.3	15.6
Less: Government Deposits	4,172.4	2,548.5	63.7
T O T A L	79,713.8	63,075.1	26.0
B. By End-User			
Public	12,286.3	11,649.4	5.5
Private	67,188.7	51,425.7	30.7

Central Bank Credits

Classification of credits by source showed that the Central Bank was responsible for 10 per cent (or ₱1,656.2 million) of the total expansion in credits during the period. Central Bank loans and advances grew by ₱1,301.8 million or 20.1 per cent arising from increased loan availments of both the public and private sectors. Net Central Bank holdings of domestic securities also expanded by ₱23.7 million and drawings by the national government against its balances with the Central Bank contributed a ₱330.7 million increase in credits of the monetary authorities.

**DOMESTIC CREDITS OUTSTANDING OF THE
MONETARY SYSTEM, Dec. 31, 1977-1979**



Deposit Money Banks

Deposit money banks which accounted for the bulk or 90 per cent of the rise in domestic credits during the year, registered ₱70,713.8 million in outstanding credits at the end of 1979, an increase of 26.3 per cent over the end-December 1978 level. The increase in credits of deposit money banks was the result of the rise in lending operations of these banks with private businesses and individuals and their net acquisition of domestic securities. The accumulation of national government balances with deposit money banks totalling ₱1,623.9 million negated in part the expansive credit operations of deposit money banks.

Distribution of Commercial Bank Loans

Commercial banks' loans as of the end of September, 1979* classified by industry revealed outstanding loans to banks and other financial institutions moving up from 5.4 per cent of total credit in September 1978 to 8.3 per cent by September 30, 1979; public utilities from 3.1 per cent to 3.7 per cent; mining and quarrying from 3.6 per cent to 7.8 per cent; and agriculture, fisheries and fishing from 10.6 per cent to 11.5 per cent and government service, from 1.9 per cent to 3.1 per cent. Decreases in several industries share to total credit financing were however noted in several industries like services, trade and real estate.

* Based on a different set of reports.

TABLE 5. — LOANS OUTSTANDING OF COMMERCIAL BANKS
CLASSIFIED BY INDUSTRY
1978 and 1979
(Million Pesos)

	September 30		Per Cent Change
	1979	1978	
TOTAL	62,784.9	47,188.0	33.1
Agriculture, Fishery and Forestry	7,239.6	4,993.0	45.0
Mining & Quarrying	4,901.2	1,694.0	189.3
Manufacturing	20,447.6	15,243.0	34.1
Construction	1,670.1	1,238.2	34.9
Public Utility	2,281.5	1,476.9	54.5
Services	3,531.2	3,160.8	11.7
Trade	12,955.7	13,750.0	— 5.8
Banks and Other Financial Institutions	5,200.1	2,532.0	105.4
Real Estate	2,596.7	2,198.0	18.1
Government Service	1,949.6	892.4	118.5
Others	11.6	9.7	19.6

Note: Data exclude past due items, items on litigation, domestic and foreign liabilities except data for PNB.

Credit Operations of Other Banking Institutions

Rural Banks

Total loans outstanding of the rural banking system which stood at ₱4,018.8 million as of end-September 1979 rose by 22.9 per cent over end-September 1978. Accounting for the bulk or about 91 per cent of the total loans outstanding, agricultural purpose loans expanded by 22.1 per cent. Commercial purpose loans increased by 29.8 per cent, industrial purpose loans by 28.9 per cent, and other purpose loans by 43.4 per cent.

TABLE 6. — LOANS OUTSTANDING OF RURAL BANKS
CLASSIFIED BY PURPOSE, 1978 and 1979
(Amount in Million Pesos)

	Amount		Per Cent Change	Per Cent Distribution	
	Sept. 30 1979	Sept. 30 1978		1979	1978
TOTAL	4,018.8	3,269.0	22.9	100.0	100.0
Agriculture	3,643.4	2,984.4	22.1	90.7	91.3
Commercial	196.6	151.4	29.8	4.9	4.6
Industrial	108.8	84.4	28.9	2.7	2.6
Others	70.0	48.8	43.4	1.7	1.5

Thrift Banks

Loans outstanding of thrift banks (comprising savings banks, private development banks and stock savings and loan associations) aggregated ₱4,810.7 million at the close of October 1979, up by 35 per cent over the corresponding balance a year before. The aggregate consisted of 37.7 per cent real estate purpose loans, 17.8 per cent agricultural purpose loans, 13.4 per cent consumption purpose loans, 6.6 per cent commercial purpose loans, 6.4 per cent industrial loans and 18.1 per cent other purpose loans. Annual increments of the different types of loans ranged from 27.2 per cent to 65.4 per cent.

TABLE 7. — LOANS OUTSTANDING OF THRIFT BANKS
CLASSIFIED BY PURPOSE, 1978 and 1979
(Million Pesos)

	Amount		Per Cent Change	Per Cent Distribution	
	Oct. 31 1979	Oct. 31 1978		1979	1978
TOTAL	4,810.7	3,563.2	35.0	100.0	100.0
Agriculture	857.0	673.8	27.2	17.8	18.9
Commercial	318.0	215.7	47.4	6.6	6.0
Industrial	307.4	223.8	37.3	6.4	6.3
Real Estate	1,813.3	1,389.4	30.5	37.7	39.0
Consumption	643.7	389.1	65.4	13.4	10.9
Others ^{1/}	871.3	671.4	29.8	18.1	18.9

1/ Including bills purchased, interbank loans, receivables, trading accounts securities, mortgage contract receivables, past due items on litigation and other loans.

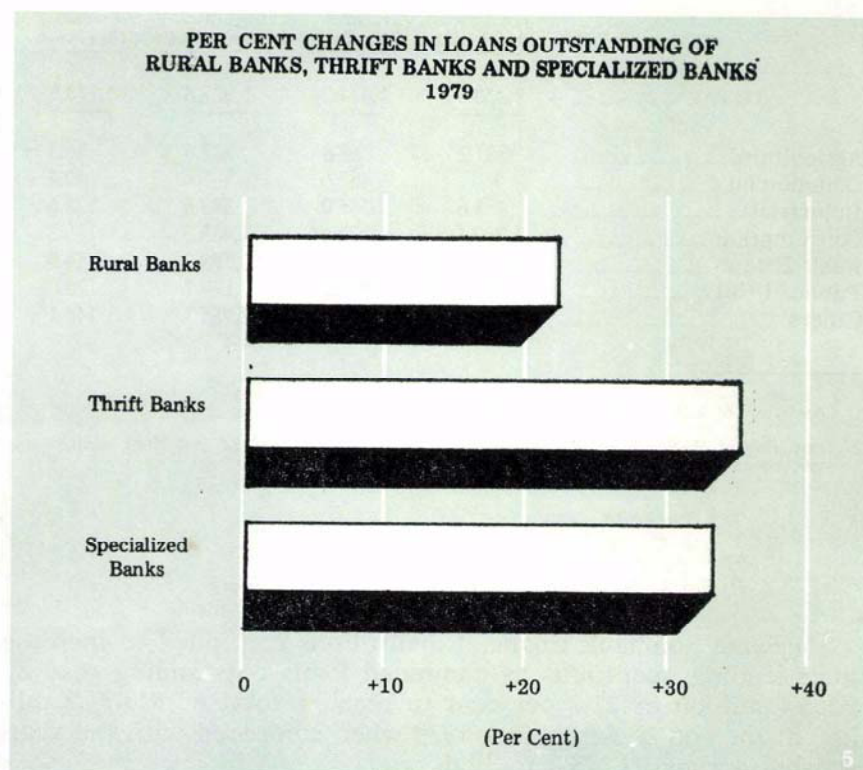
Specialized Banks

DBP, Land Bank and Amanah Bank also stepped up their lending operations as total loans outstanding at end-October 1979 went up by 33.9 per cent to ₱15,927.2 million from the preceding year's level of ₱11,898.2 million. By purpose — industrial loans surged by ₱2,118.5 million or 67.4 per cent, agricultural loans by

TABLE 8. — LOANS OUTSTANDING OF SPECIALIZED BANKS
CLASSIFIED BY PURPOSE, 1978 and 1979
(Million Pesos)

	Amount		Per Cent Change	Per Cent Distribution	
	Oct. 31 1979	Oct. 31 1978		1979	1978
TOTAL	15,927.2	11,898.2	33.9	100.0	100.0
Agriculture	3,987.1	3,187.8	25.1	25.0	26.8
Commercial	100.7	63.7	58.1	0.6	0.5
Industrial	5,261.1	3,142.6	67.4	33.0	26.4
Real Estate	2,841.4	2,075.2	36.9	17.9	17.5
Others	3,736.9	3,428.9	9.0	23.5	28.8

P799.3 million or 25.1 per cent, real estate loans by P766.2 million or 36.9 per cent, commercial loans by P37.0 million or 58.1 per cent, and other loans by P308.0 million or 9.0 per cent. The increases indicate a marked shift in the financing pattern of these specialized banks from agricultural purpose loans to industrial purpose loans when compared to the preceding year's loan portfolio.



Credit Operations of Other Financial Institutions

Government Non-Bank Financial Institutions

Loans outstanding of ACA, GSIS, SSS and NIDC aggregating P9,230.5 million as of end-September 1979 expanded by 3.4 per cent from the level of P8,927.8 million a year ago. Accounting for the aggregate loans outstanding of government non-bank financial entities were: agricultural purpose loans, 3.7 per cent; industrial purpose loans, 4.7 per cent; consumption purpose loans, 19.3 per cent; real estate purpose loans, 41.4 per cent; public utility purpose loans, 2.0 per cent; and other purpose loans, 28.9 per cent.

Loans for consumption increased by P316.9 million or 21.7 per cent; for real estate by P229.2 million or 6.4 per cent; for industrial activities by P50.0 million or 13.0 per cent; for agriculture by P14.3 million or 4.4 per cent and for public utility by P9.5 million or 5.3 per cent. However, loans outstanding for other purposes dropped by P317.2 million or 10.6 per cent.

TABLE 9 — LOANS OUTSTANDING OF NON-BANK FINANCIAL INSTITUTIONS CLASSIFIED BY PURPOSE
September 30, 1978 and 1979
(Million Pesos)

	September 30, 1979		September 30, 1978	
	Government Non-Bank ^{1/}	Private ^{2/} Non-Bank	Government Non-Bank ^{1/}	Private ^{2/} Non-Bank
TOTAL	9,230.5	1,434.2	8,927.8	1,178.8
Agricultural	337.2	62.8	322.9	56.3
Commercial	—	33.6	—	49.4
Industrial	433.6	786.0	383.6	578.6
Consumption	1,780.4	174.8	1,463.5	135.5
Real Estate	3,822.2	110.5	3,593.0	84.9
Public Utility	189.2	120.0	179.7	128.0
Others	2,667.9	146.5	2,985.1	146.1

1/ Consisting of ACA, GSIS, SSS and NIDC.

2/ Consisting of BANCOM, PDCP, building and loan associations and non-stock savings and associations

Private Non-Bank Financial Institutions

Private non-bank financial institutions continued to increase their lending operations as combined loans outstanding rose by ₱255.4 million or 21.7 per cent to reach a total of ₱1,434.2 million at the end of September 1979 when compared with the year-ago balance of ₱1,178.8 million.

Of total loans outstanding, industrial purpose loans which represented about 55.0 per cent registered an increment of ₱207.4 million or 35.8 per cent over a period of one year. Except loans for commercial and public utility purposes which declined by 32.0 per cent and 6.3 per cent, respectively — loans for other purposes likewise increased, ranging from 0.3 per cent to 30.2 per cent.

Capital and Money Markets

Capital Investments

Capital investments of some 39,456 newly registered business organizations during 1979 amounted to ₱3,265.5 million, about ₱56.6 million more than the capital paid-in during 1978. Single proprietorships which accounted for the bulk or 60 per cent of new capital invested contributed ₱1,949.2 million. Corporate investors put in an additional ₱1,219.5 million while partnership capital amounted to ₱96.8 million.

TABLE 10. — PAID-IN CAPITAL OF NEWLY REGISTERED
BUSINESS ORGANIZATIONS CLASSIFIED BY INDUSTRY
1978 and 1979
(Million Pesos)

	1979	1978	Per Cent Change	Per Cent Distribution	
				1979	1978
TOTAL	3,265.5	3,208.9	1.8	100.0	100.0
Agriculture	112.0	95.3	17.6	3.4	3.0
Mining	37.2	44.6	-16.6	1.1	1.4
Manufacturing	510.3	539.3	-5.4	15.6	16.8
Construction	407.2	439.7	-6.2	12.5	13.7
Electricity	15.4	3.3	366.7	0.5	0.1
Wholesale & Retail Trade	702.9	657.0	7.0	21.5	20.5
Financing, Insurance and Real Estate	897.6	855.1	5.0	27.5	26.6
Transportation	205.1	200.3	2.4	6.3	6.2
Community, Social and Personal Services	377.8	374.3	1.0	11.6	11.7

About ₱3,205.0 million or 98 per cent of new capital invested came from Filipino entrepreneurs and the balance of ₱60.5 million represented investments of other nationalities. Compared to the previous year's registration records, the amount invested by Filipinos was greater by ₱47.2 million. Investments of foreigners also recorded increments except Chinese capital which declined by 37.4 per cent.

Classified by industry, the largest investments were seen in the financing, insurance and real estate group whose share to total capital invested during the period amounted to 27.5 per cent. This was followed by manufacturing (15.6 per cent), construction (12.5 per cent), community, social and personal services (11.6 per cent), transportation (6.3 per cent), agriculture (3.4 per cent), mining (1.1 per cent) and electricity (0.5 per cent).

As against 1978, the respective shares of the aforementioned industries to total capital paid-in were about the same, except for a slight increase in the share of electricity from 0.1 per cent to 0.5 per cent and the minimal decrease in the mining share from 1.4 per cent of total capital paid-in to 1.1 per cent.

Money Market

The money market remained generally tight during the year except in the months of January, March, September and October when conditions were relatively easier. Total transactions amounted to ₱295,489 million, greater by 25.3 per cent over the level a year ago. The average cost of money rose from 10.721 per cent in 1978 to 12.886 per cent in 1979.

Responding to market factors, average money rates declined from 12.619 per cent in December 1978 to 12.467 per cent in

March 1979. Similarly, weighted average call money rates declined from 13.221 per cent in December 1978 to 13.137 per cent in March 1979 while the average for prime money market papers like promissory notes and repurchase agreements slid down from 12.793 per cent to 12.121 per cent.

The mild easing was ascribed to the release into the money stream of funds normally held as cash balances during the last two months of the preceding year. The inflow of foreign loans, a liberalized Central Bank rediscount policy as well as spending of the government during this period also contributed to the ease.

Market conditions, however, began to tighten shortly afterwards as fund placements decreased by an average of 15 per cent. The decline in money availability was due to increased costs of production which raised the funding requirements of business enterprises. Pressure on the financial system's liquidity was further aggravated by the continued deficit in the balance of payments. By June 1979, the cost of money registered an average of 13.318 per cent or 0.851 percentage points off from March's 12.467 per cent. Demand placements were quoted at the peak rate of 15 per cent while term rates were slightly higher than at the beginning of the year.

A slightly easier market tone prevailed in September and October 1979 as a result of the expansionary operations of the rediscount and repurchase windows of the Central Bank. In October, demand rates recorded an average of 11.860 per cent, down by 0.420 basic points from the month-ago average of 12.280 per cent. Term rates also declined to 12.476 per cent in the case of 15-day promissory notes and 12.287 per cent for 30-day notes, from their previous month's levels of 12.719 per cent and 12.612 per cent, respectively.

Money rates, however, returned to the maximum level in the first week of November as the market tightened anew in view of the remittance of substantial oil payments and the settlement of matured peso-dollar swaps. The escalation of money market rates continued up to the last week of December with demand rates averaging 16.023 per cent. As was usual at this time of the year, the demand for short-term funds was fueled by traditionally heavy corporate fund requirements for the holiday season and year-end window dressing activities. The settlement of maturing foreign loans which included oil bills also added pressure to the credit squeeze.

Stock Market

The turnover of transactions with the Manila Stock Exchange aggregated 56,188.2 million with a gross value of P2,268.8 million. This represented a volume decrease of 20.1 per cent and a decline value-wise of 9.7 per cent over the level registered in 1978.

TABLE 11. — MONEY MARKET TRANSACTIONS
1978 and 1979

	1 9 7 9		1 9 7 8	
	Volume (P million)	WAIR (Per Cent)	Volume (P million)	WAIR (Per Cent)
TOTAL	295,489.1	12.886	235,801.3	10.721
January	25,925.1	12.345	19,975.2	9.747
February	24,046.9	12.526	17,804.4	9.616
March	27,560.0	12.467	17,919.2	10.013
April	23,173.3	12.527	17,461.9	9.429
May	25,993.8	13.191	19,689.8	11.144
June	22,827.6	13.318	19,934.8	9.860
July	25,292.9	13.376	18,501.9	10.095
August	23,888.6	13.454	22,696.0	11.697
September	24,396.3	12.489	18,595.6	12.173
October	25,151.7	12.161	19,524.7	11.195
November	23,777.9	12.256	24,963.7	11.075
December	23,455.0	14.516	18,734.1	12.619

Mining and oils alternated to boost trading in a seemingly dull market during the year. The upturn of gold and copper prices in the world market enlivened stock trading in the mining sector. Mining stocks improved in value with a total peso turnover of ₱953.0 million on a volume of 22,890.0 million shares from last year's ₱908.6 million and 28,066.3 million on value and volume, respectively.

The promising developments in local oil exploration ventures, consistently fueled strong interest in oil stocks, which however waned towards the end of 1979. Trading volume in oil shares dropped by 22.2 per cent to 31,655.6 million shares during the year and value, 11.9 per cent to ₱929.8 million.

Commercial-industrials, on the other hand, remained on the sidelines. Stock trading volume increased by 5.6 per cent, but the aggregate value declined by 29.7 per cent. The decline in the overall value turnover was the result of uncertainties in the economy and the prospects of higher production costs mainly due to increases in oil prices.

Public Finance

Cash Operations of the National Government

A cash surplus of ₱891.2 million was realized in this year's current operating transactions, a reversal of the preceding year's cash deficit of ₱1,559.2 million in 1979. Total revenues amounted to ₱35,308.6 million, showing an expansion of 18.5 per cent as tax collections of the BIR and Customs increased by 23.5 per cent and 19.5 per cent, respectively.

On the other hand, total expenditures amounted to only P34,417.4 million. These grew by only 9.7 per cent, a reflection of the results of fiscal restraint on the part of the National Government.

Meanwhile, financial transactions of the National Government for the year resulted in net borrowings amounting to P2,513.6 million or 33.0 per cent lower than the year-earlier level. Domestic borrowings which comprised the bulk or 81 per cent of supplementary financing operations, aggregated P11,356.2 million, or a 13.2 per cent increase over that of 1978. This was due largely to increased flotations of Treasury bills (P831.7 million), Treasury notes (P486.3 million), other government securities (P86.2 million) and to the rise in the National Government's loan balances amounting to P494.5 million. Borrowings from foreign sources which amounted to P2,681.5 million or 19 per cent of total borrowings, declined by 6.4 per cent compared to 1978.

TABLE 12. — AGGREGATE CASH OPERATIONS OF THE
NATIONAL GOVERNMENT
1978 and 1979
(Million Pesos)

	1979 p/	1978	Per Cent Change
A. Current Operational Transactions			
Operating Receipts	35,308.6	29,804.5	18.5
BIR	14,743.6	11,934.9	23.5
Customs	9,071.2	7,591.0	19.5
Others	11,493.8	10,278.6	11.8
Disbursements	34,417.4	31,363.7	9.7
Operating	32,836.6	30,227.6	8.6
Interest Payments	1,580.8	1,136.1	39.1
Surplus/Deficit	891.2	-1,559.2	
B. Financial Transactions	2,513.6	3,753.8	-33.0
Debt Redemption	11,524.1	9,145.0	26.0
Borrowings	14,037.1	12,898.8	8.8
Domestic	11,356.2	10,033.9	13.2
Foreign	2,681.5	2,864.9	-6.4
C. Net Cash Inflow	3,404.8	2,194.6	55.1
D. Status of Cash Balance			
Beginning, Jan. 1	9,301.0	7,106.4	30.9
Ending, Dec. 31	12,705.8	9,301.0	36.6
Change of Status	3,404.8	2,194.6	55.1

Total redemptions during the period reached P11,524.1 million, recording an increment of 26.0 per cent. The bulk of these were utilized to retire Treasury bills, Treasury notes, Treasury bonds to repay the outstanding government loan account with the Central Bank.

As reflected in Treasury books, total net cash inflow amounted to ₱3,404.8 million representing the current operating surplus of ₱891.2 million and net borrowings of ₱2,513.6 million.

Internal Public Debt

Internal public debt outstanding as of December 31, 1979 increased by 12.3 per cent from the previous year's level to ₱36,458.0 million. Of this amount, 52 per cent were domestic obligations of the National Government, 37 per cent of monetary institutions, 10 per cent of government corporations and 1 per cent of local governments.

Total outstanding borrowings of the National Government from the domestic sector increased by ₱1,231.2 million and amounted to ₱19,070.0 million as of the end of 1979. This was the result of: a) net sales of government securities such as Prem-yo Savings bonds, Treasury bonds, Capital Treasury notes, Treasury bills, Treasury notes totalling ₱727.8 million and b) the increase in loans from the Central Bank amounting to ₱503.4 million.

Domestic debt of government monetary institutions also expanded from ₱11,020.3 million to ₱13,530.8 million, an increase of 22.8 per cent during the year. The incremental debt was attributed largely to additional issuance of CBCIs worth ₱2,033.3 million and the rise in loan obligations of government monetary institutions totalling ₱477.2 million.

Total domestic debt of government corporations as of the end of 1979 also exceeded last year's level by 7.1 per cent. Net proceeds of new corporate issues aggregated ₱120.3 million arising mainly from new issuance of Land Bank bonds and DBP countryside bills to finance agrarian reform credits and for medium and long-term rural credit financing, respectively.

An increase of ₱7.6 million in the net borrowings of local governments during the period also raised the level of outstanding local governments credits to ₱287.6 million. The increase was due primarily to the expansion in outstanding borrowings of local governments from DBP to finance municipal and provincial governments' operating and various capital expenditures during the year.

External Public Debt

A 30.5 per cent annual increase in total external public debt was recorded during 1979 as total outstanding external borrowings rose from \$5,370.2 million in December 1978 to \$6,925.8 million in December 1979. The rise in external borrowings was basically to augment domestic capital resources for the financing of infrastructure, utilities and irrigation projects, several agricultural and fishery programs in various parts of the country as well as for education and community development.

TABLE 13. — PUBLIC DEBT OUTSTANDING
December 31, 1978 and 1979
(Million)

	<u>1979</u>	<u>1978</u>	<u>Per Cent Change</u>
TOTAL (Pesos)	88,401.5	72,274.2	22.3
Internal Debt (Pesos)	36,458.0	32,470.2	12.3
National Government	19,070.0	17,838.8	6.9
Local Government	287.6	280.0	2.7
Government Corporations	3,569.6	3,331.1	7.1
Guaranteed	3,084.9	2,964.6	4.1
Non-Guaranteed	484.7	366.5	32.3
Monetary Institutions	13,530.8	11,020.3	22.8
External Debt (Pesos)	51,943.5	39,804.0	30.5
External Debt (U.S. Dollars)	6,925.8	5,307.2	30.5
National Government	2,077.7	1,657.3	25.4
Local Government	0.3	0.3	—
Government Corporations	2,827.4	2,157.3	31.1
Monetary Institutions	2,020.4	1,555.3	29.9

Borrowings of government corporations accounted for 41 per cent of total external debt. During the year, government corporate borrowings which amounted to ₱2,827.4 million came from the following sources: US Eximbank, US Aid, US Banks, Japanese Banks and several private suppliers.

An increase of \$465.1 million in net borrowings of government monetary institutions also raised the outstanding external debt of these institutions to \$2,020.4 million. Net inflows came under the rural credit loans from the IBRD, Oil Trade Financing Scheme, RP-Japanese Commodity Loan, credit lines with the IMF and some Japanese banks.

Outstanding loans of the National Government also increased from \$1,657.3 million to \$2,077.7 million, or by 25.4 per cent, during the year. Net inflows of \$420.4 million came from availments through IBRD, IDA, US Aid, and various governments to finance irrigation, rural electrification, flood control and other capital projects.

Outstanding obligations of local government to foreign creditors however remained at the end-December 1978 level of \$0.3 million.

PRICES

Price changes in the Philippines in 1979 were more than pronounced than in the preceding four years, reaching double-digit proportions. Even the slowdown in the annual growth of money supply to only 9.8 per cent was insufficient to arrest the substantial climb in prices. The reduction in liquidity caused by the balance of payments shortfall of \$570 million lost its impact on the upsurge of prices in the wake of the two adjustments in petroleum prices in March and August 1979.

The marked uptrend in prices also reflected the effects of the ₱2.00 increase in minimum wage effective April 1, 1979 and the ₱60.00 increase in monthly emergency living allowance effective September 1, 1979 as well as the termination of price control in June. As indicated by rising sales during the period, the wage increases to some extent induced higher domestic demand contrasting with the moderate growth in production. Meanwhile, with the termination of the price control law, price ceilings of basic commodities, outside of those covered by existing government regulations, ceased to become operative. Prices of commodities previously controlled were noted to have moved up sharply after the first semester.

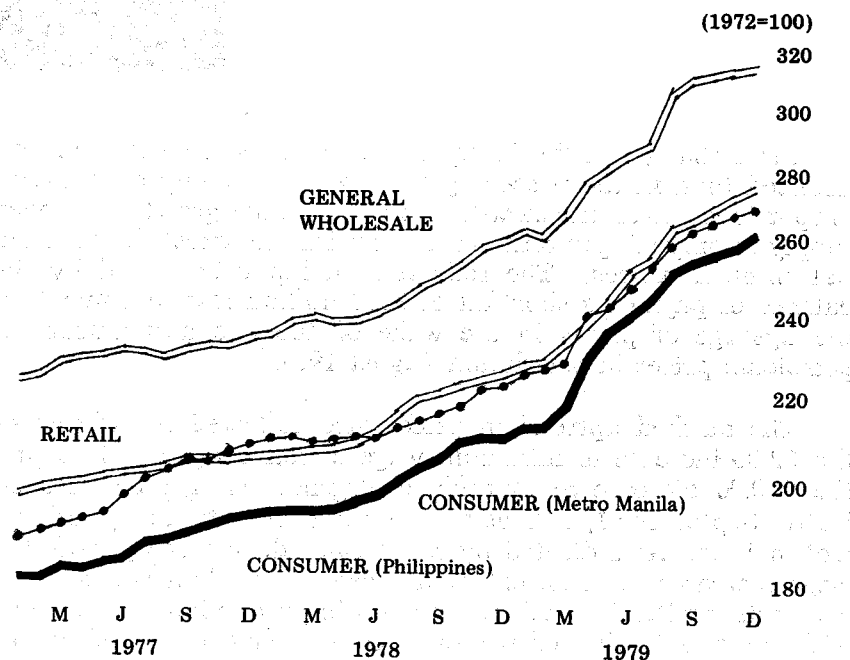
The year was also marked by major adjustments in rates and charges of public utilities, transportation and communication which all accounted for a large portion of household consumption. Water rates in Manila were up by 9.5 per cent while both transport and communication facilities also became more expensive contributing to the overall gain in price levels.

The index changes in wholesale, retail and consumer prices for the entire Philippines and Metro Manila (1972=100) show these upward patterns.

The annual rate of increase in general wholesale prices in Metro Manila rose from 6.8 per cent in 1978 to 18.3 per cent in 1979 due largely to higher prices of unprocessed goods, specifically fish and forestry products. The processed goods were slightly lower than the average rate of increase, with substantial gains being observed in the prices of wood and non-metallic products.

During the same period, retail prices (RPI) of selected commodities also chalked up significant increases although slightly lower than those of wholesale prices. The annual rate of growth in RPI climbed from 6.1 per cent to 17.2 per cent, following the large increases in retail prices for fuel, construction materials, household supplies and beverages.

PRICE INDEXES, 1977 - 1978



CPI Philippines recorded an annual growth of 16.5 per cent, from 7.3 per cent in the previous year. This sharp run-up came about as food prices escalated from only 6.3 per cent to 15.1 per cent while non-food prices grew from 9.1 per cent to 18.6 per cent.

A higher inflation rate, however, was indicated by CPI Metro Manila. Consumer prices jumped from 7.6 per cent in 1978 to 18.8 per cent in 1979. Owing mostly to large increases in the prices of cereal preparations and fish products, food prices exhibited a marked uptrend from 8.3 per cent to 19.0 per cent. Likewise, non-food items shot up from 6.9 per cent to 18.6 per cent.

These inflationary trends further reduced the purchasing power of the peso from ₱0.49 in 1978 to an equivalent average of only ₱0.42 in 1979 (1972=₱1.00).

Wholesale Prices

General wholesale prices in Metro Manila moved up from 247.0 index points to 292.2 index points (1972=100) to record a significant growth of 18.3 per cent in 1979 or more than twice the previous year's rate of 6.8 per cent.

During the year, unprocessed products were more expensive than processed products at the wholesale level. An upward

movement from 7.6 per cent to 19.8 per cent was observed for the unprocessed commodities due mainly to tremendous gains in wholesale prices of fish and forestry products. Higher price tags were reported for freshwater and saltwater fish items and the heavily-weighted crustaceans, pushing this group's price increment to 36.5 per cent. Meanwhile, the sharp increase in log prices was the main contributor to the 27.4 per cent rise in the wholesale prices of forest products. All the other items under the unprocessed category exhibited continued uptrends.

On the other hand, the marked escalation in wholesale prices of wood (39.4 per cent), non-metallic products (36.5 per cent), metal products (20.0 per cent) and beverages (17.7 per cent) contributed to the 17.3 per cent growth in the WPI of processed goods.

Wood products rose sharply due to the rapid run-up in prices of lumber and plywood. More expensive cement and cement products like ornamental blocks, tiles and pipes pushed up the gain in the WPI of non-metallic products. Meanwhile, the large increase in construction materials like iron and steel as well as fabricated metal products contributed to the metal group's price increase. Likewise, beverages moved up due to the April and September hikes in alcoholic products, soft drinks and beer. The other components of the processed group displayed slightly lower but still rising growth rates except electrical machinery, appliances and supplies which moderated from 9.8 per cent to 9.6 per cent. This was traceable to the sluggish price growth of television high voltage tube, volt meter, and electric motor.

In 1979, the domestic WPI rose by 19.9 per cent due to higher prices of processed goods notably non-metallic mineral products; WPI of locally produced items by 19.2 per cent; and WPI of exportable products by 23.5 per cent. However, lower growths of 15.3 per cent and 17.8 per cent were observed for imported and home consumption goods, respectively.

TABLE 14. — WHOLESALE PRICE INDEX IN METRO MANILA, 1977—1979
(1972=100)

	1977	1978	1979	Per Cent Change	
				1978	1979
General	231.2	247.0	292.2	6.8	18.3
Unprocessed goods	248.4	267.4	320.3	7.6	19.8
Processed goods	221.6	235.7	276.5	6.4	17.3
Domestic products	229.1	246.8	295.8	7.7	19.9
Locally produced commodities ..	229.2	245.6	292.7	7.2	19.2
Home consumption	233.7	249.0	293.2	6.5	17.8
Imported products	239.6	250.0	288.3	4.3	15.3
Exportable products	246.0	271.5	335.4	10.4	23.5

SOURCES OF BASIC DATA: Bureau of Agricultural Economics, Trade Assistance Center—Ministry of Trade, National Census and Statistics Office and reporting private establishments.

Retail Prices

Compared to wholesale prices in Metro Manila, the growth in Metro Manila retail prices in 1979 was slightly more modest at 17.2 per cent. In 1978, however, retail prices grew by only 6.1 per cent.

The most notable increases in retail prices were registered by fuel (24.8 per cent), construction materials (22.7 per cent), household operations and supplies (20.0 per cent) and beverages (19.5 per cent). These price movements also reflected those observed at the wholesale level.

Fuel items like gasoline, kerosene and liquified petroleum gas (LPG) rose with the March and August adjustments in oil prices which showed a cumulative increase of over 40.0 per cent. Prices of construction materials from carpentry, electrical, masonry, painting, plumbing fixtures to sewerage also climbed up since the manufacture of these products was mostly oil-based. Likewise, household items exhibited marked uptrends especially furnishings, laundry supplies and toiletries. The increase in beverage prices came about with the April and September increases in prices of alcoholic drinks, soft drinks and beer. The rest of the items also influenced the positive gain in retail prices.

TABLE 15. — RETAIL PRICE INDEX OF SELECTED COMMODITIES IN METRO MANILA, 1977—1979
(1972=100)

	1977	1978	1979	Per Cent Change	
				1978	1979
ALL ITEMS	203.8	216.3	253.4	6.1	17.2
Food	190.5	206.2	240.4	8.2	16.6
Beverages	187.9	199.3	238.2	6.1	19.5
Tobacco	196.5	212.6	230.2	8.2	8.3
Wearing apparel	208.0	223.5	257.7	7.5	15.3
Construction materials	251.1	277.9	340.9	10.7	22.7
Fuel	217.7	221.1	275.9	1.6	24.8
Medical and phar. pre- parations	163.9	166.4	187.0	1.5	12.4
Office and school supplies	231.2	247.4	285.9	7.0	15.6
Household operations and supplies	200.4	210.0	251.9	4.8	20.0

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

Consumer Prices

In contrast to the slowdown of CPI Philippines in 1978, the national rate of inflation moved up from 7.3 per cent in that year to 16.5 per cent in 1979. This price run-up came mostly from the non-food group which rose from 9.1 per cent to a

high 18.6 per cent. Fuel, light and water, services and miscellaneous items turned out markedly more expensive during the year.

Meanwhile, prices of food consumer items grew less slightly by 15.1 per cent but nonetheless substantially higher than the previous year's 6.3 per cent.

TABLE 16. — CONSUMER PRICE INDEX IN THE PHILIPPINES, 1977-1979
(1972=100)

	1977	1978	1979	Per Cent Change	
				1978	1979
ALL ITEMS	200.4	215.0	250.5	7.3	16.5
Food	195.6	207.9	239.2	6.3	15.1
Non-Food	208.5	227.5	269.8	9.1	18.6
Clothing	215.5	235.6	275.6	9.3	17.0
Housing and repairs	205.2	225.0	262.7	9.6	16.8
Fuel, light and water	205.2	230.5	291.2	12.3	26.3
Services	196.9	214.1	260.1	8.7	21.5
Miscellaneous	223.7	238.4	278.3	6.6	16.7

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

Consumer prices in Metro Manila averaged an annual growth of 18.8 per cent, up from 7.6 per cent in 1978. These were influenced largely by the termination of price control in June, as immediately thereafter, prices of previously socialized consumer items were noted to have picked up even as producers and manufacturers announced their exercise of voluntary price restraint until the close of 1980. Prices of controlled items actually rose from 5.5 per cent to 19.1 per cent, exceeding the 17.8 per cent growth of prices of uncontrolled commodities. Domestic demand continued to impinge on the supply situation as wages were adjusted upward twice during the year.

Of the 19 per cent climb in Metro Manila food prices, it was the price run-ups of cereal preparations (49.3 per cent), fish (26.0 per cent), beverages (19.7 per cent) and meat (19.6 per cent) which were the principal contributors. The rest of the food items showed continued uptrends except the price of miscellaneous food which decelerated by a slight margin.

Higher price tags for services (23.1 per cent), fuel, light and water (20.5 per cent) and miscellaneous items (18.9 per cent) induced the hike in non-food items by 18.6 per cent in Metro Manila. These petroleum-related items were up as a result of the oil price increases during the year. Clothing and housing and repairs also contributed positive gains of 17.6 per cent and 14.3 per cent, respectively.

During the year, prices of domestic goods with imported inputs moved up by 22.0 per cent even as the wholesale prices of imported products adjusted upward by a lower per cent. Those of domestic goods with components chiefly of local origin grew by 18.4 per cent.

TABLE 17. — CONSUMER PRICE INDEX IN METRO MANILA, 1977—1979
(1972=100)

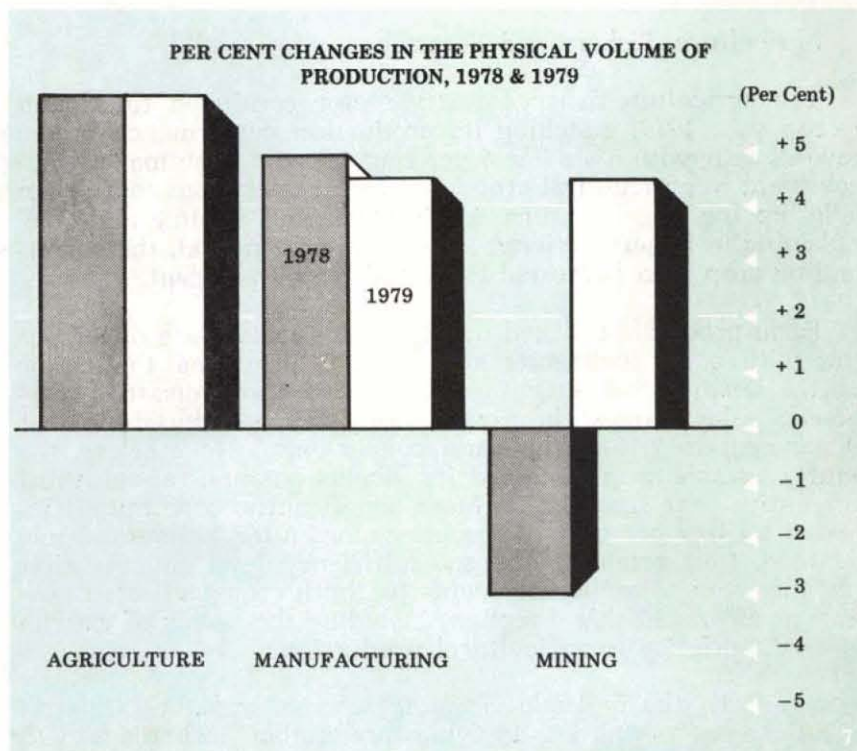
	1977	1978	1979	Per Cent Change	
				1978	1979
ALL ITEMS	188.6	202.9	241.1	7.6	18.8
Food	190.0	205.7	244.8	8.3	19.0
Cereals	177.6	177.7	200.3	0.1	12.7
Cereal preparations	230.1	241.0	359.9	4.7	49.3
Dairy products	167.5	171.9	195.4	2.6	13.7
Eggs	174.6	179.3	186.3	2.7	3.9
Fish	201.6	221.9	279.5	10.1	26.0
Fruits and vegetables	184.0	229.2	259.1	24.6	13.0
Meat	189.9	204.5	244.5	7.7	19.6
Miscellaneous food	196.2	222.0	250.8	13.1	13.0
Beverages	185.1	197.1	236.0	6.5	19.7
Tobacco	179.2	187.1	210.9	4.4	12.7
Non-Food	187.3	200.2	237.5	6.9	18.6
Clothing	204.8	225.8	265.6	10.3	17.6
Housing and repairs	168.6	180.7	206.6	7.2	14.3
Fuel, light and water	176.3	180.4	217.4	2.3	20.5
Services	193.7	209.3	257.6	8.1	23.1
Miscellaneous	213.2	221.9	263.9	4.1	18.9
Domestic (Chiefly of Domestic Origin)	180.2	194.7	230.6	8.0	18.4
Domestic (With Imported Inputs)	203.1	217.0	264.8	6.8	22.0

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

PRODUCTION, EMPLOYMENT, WAGES AND GROSS SALES

In 1979, the major production sectors of the economy showed uptrends despite the successive hikes in oil prices and the restraining effects of adverse weather.

The agriculture-fishery-forestry group set the pace with an incremental rate of 6.0 per cent, matching the gain registered in 1978. The sustained growth came mainly from higher crop production, highlighted by the attainment of self-sufficiency in corn. The mining and quarrying industry recovered strongly with a 4.5 per cent gain owing to the influence of the price upsurge in the world market particularly for copper, gold and nickel. Manufacturing production also improved by 4.5 per cent despite the direct impact of oil price hikes on its industries.



The other sectors under review exhibited improved performance in 1979 compared to the previous year. Renewed building activity in the City of Manila was reflected in the number as well as value of building permits issued. Along with brisker construction activity, real estate transactions picked up. Similarly, electric power generation expanded substantially with the harnessing of geothermal plants. Meanwhile, railway transport operations

improved appreciably while international maritime activity slackened.

The accelerated productive activities triggered higher levels of employment in 1979. The Central Bank employment index for 1979 moved up by 7.3 per cent or more than three times the 1978 growth rate, coming largely from the financing-insurance-real estate-business services group and the construction industry. At the same time, the average monthly earnings of salaried employees and wage earners improved by about 25 per cent following legislated pay increases during the year.

In the same period, gross sales and/or receipts from five major industry groups chalked up a 16.1 per cent expansion. Except for lower receipts registered in wholesale and retail trade, all other industry groups came up with two-digit growth rates led by community, social and personal services. The marked improvement in workers' income as well as the rise in consumer prices tended to inflate sales value during the year.

Production

Agriculture, Fishery and Forestry

The agriculture-fishery-forestry sector continued to expand in crop year 1979, matching its production performance in the previous year with a similar 6 per cent growth. The marked improvement in agricultural crops and forest operations more than made up for the downturn in livestock and poultry and the slackening in fishery activity. Over the same period, the corresponding crop area harvested expanded by 1.8 per cent.

Farm production picked up at an accelerated rate of 8.7 per cent, with corn, fruits-nuts and coconut providing the major boost. Despite the restraining effects of three disastrous typhoons, palay harvest improved though at a reduced rate of 4.4 per cent to 7,197.6 thousand metric tons. Nonetheless, the country's staple crop sustained its surplus position for the third consecutive year since 1977. More significantly, corn output increased by 10.9 per cent to reach a record 3,167.4 thousand metric tons, thus attaining the self-sufficiency level for the first time this year. Productivity gains for both crops reflected government efforts in this direction, including the policy of extending credit priority to agricultural production.

Similarly, the multiple cropping scheme, and the "Gulayan sa Kalusugan" Program applying production technology and marketing system to vegetable and fruit production contributed to the sustained growth in production of vegetables. Due to adverse weather, however, output increased at a decelerated rate of 2.7 per cent compared to 1978. Fruits and nuts, on the other hand, maintained the two-digit growth rate obtained in the preceding crop year; output expanded by a bigger 25.6 per cent following the bumper crop in typhoon-free banana and pineapple plantations in Mindanao. The production of other fruit varieties also increased or improved further on their 1978 gains.

TABLE 18. — INDEX OF THE PHYSICAL VOLUME OF PRODUCTION
IN AGRICULTURE, FISHERY, AND FORESTRY
Crop year 1977—1979
(1972=100)

	1977	1978 ^{r/}	1979 ^{p/}	Per Cent Change	
				1978	1979
AGRICULTURE, FISHERY AND FORESTRY	136.2	144.4	153.1	6.0	6.0
Agricultural Crops Production	157.3	166.5	181.0	5.8	8.7
Palay	126.6	135.2	141.1	6.8	4.4
Corn	141.3	141.9	157.4	0.4	10.9
Vegetables incl. root and tuber crops	186.6	194.8	200.1	4.4	2.7
Fruits and nuts (excl. co- conut)	217.4	264.1	331.6	21.5	25.6
Coconut incl. copra making in the farm	142.3	135.2	143.1	— 5.0	5.8
Sugar cane incl. muscovado sugar-making in the farm	144.0	121.3	118.9	—15.8	— 2.0
Tobacco	90.3	101.0	91.6	11.8	— 9.3
Fiber crops	129.3	114.3	107.6	—11.6	— 5.9
Agricultural crops, n.e.c.	217.1	234.1	236.2	7.8	0.9
Production of Livestock, Poul- try and Other Animals ^{1/}	84.3	99.8	94.4	18.4	— 5.4
Livestock	75.8	86.4	89.2	14.0	3.2
Poultry	96.7	119.4	102.1	23.5	—14.5
Fishery ^{1/}	135.0	142.0	144.0	5.3	1.3
Ocean (off-shore) and coast- al fishing	122.0	119.1	123.1	— 2.4	3.4
Inland fishing	146.1	159.7	159.8	9.3	0.1
Operation of fish farm	117.0	120.0	124.7	2.6	3.9
Forestry	72.2	68.2	68.4	— 5.5	0.3
Logging operations	93.7	85.0	85.3	— 9.3	0.4
Other forestry activities	19.4	26.9	26.9	38.7	—

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.

The upswing in farm production was aided greatly by the upturn in coconut production and the improved performance of sugarcane and fiber crops. Owing largely to advances in productivity, coconuts gathered in crop year 1979 reached 12.052 billion metric tons, to rise by 5.8 per cent and reverse the shortfall in 1978. With favorable world market prices, almost all coconut products led by copra posted positive growth rates. Likewise, with the recovery in export prices, the 15.8 per cent slump in sugarcane production a year ago was reduced considerably to 2.0 per cent in crop year 1979 notwithstanding further cutbacks in hectareage. Following the same trend, centrifugal sugar output of 2,288.1 thousand metric tons was slightly less than that of 1978.

Meanwhile, tobacco production fell anew by 9.3 per cent, following the downtrend in prices abroad. In a similar development, fiber crops experienced a further reduction in output of about 6 per cent resulting mainly from the sustained shortfall in the production of abaca. However, other fibers, specifically maguey, expanded substantially in crop year 1979, accounting for this industry's improved performance compared to 1978.

Production of other agricultural crops increased by less than 1 per cent as compared to about 8 per cent in 1978; the marked expansion registered by cacao, rubber and other miscellaneous farm crops failed to offset the lean harvest of coffee which dropped by 2.8 per cent after gaining by 13.0 per cent in the preceding crop year.

In 1979, livestock and poultry production decreased by 5.4 per cent from a high increment of 18.4 per cent a year ago. Hampered by bad weather and high cost of feeds, poultry suffered a big setback while livestock experienced sluggish growth.

In the same period, fishery output rose to 1,603.1 thousand metric tons or an increase of 1.3 per cent over that of 1978. This growth was only a fourth of the increment registered in the previous year. While ocean and coastal fishing as well as fish farm operations improved, production from the typhoon-affected inland fishing sector barely grew during the period.

Meanwhile, forestry recorded a fractional gain of 0.3 per cent from a 5.5 shortfall in 1978. Logging operations turned back a decline in the previous year recovering by 0.4 per cent while output of forestry activities showed stable growth.

Mining and Quarrying

The mining and quarrying sector showed renewed strength in 1979 with the over-all production index reaching 133.1 (1972=100), for a gain of 4.5 per cent over the preceding year's level. This contrasted with the 3.0 per cent shortfall registered in 1978.

Spurred by the metal price boom prevailing during the year, output of almost all principal metal ores continued to improve in 1979. Aside from the price boost, the gold industry enjoyed the benefits of technical assistance received through the Bureau of Mines Gold Development Project. Furthermore, with a ready outlet in the local Gold Refinery, the industry turned out 18,753 kilograms of gold or an increase of 2.8 per cent despite operational setbacks during the period. Under the other precious metals group, silver showed an expansion rate of 9.0 per cent.

With favorable prices in the world market as well as the upsurge in demand, local copper producers expanded their capacity utilization and launched new projects. Consequently, copper ore production reached 982,525 metric tons or a substantial gain of 8.4 per cent against the 5.2 per cent decline registered in the previous year. In a similar vein, nickel ore mining recovered from the 1978 slump caused by the maintenance shutdown by the lone producer of refined nickel. Due to improved capacity and efficiency, nickel output improved by 1.7 per cent to 30,016 metric tons, as compared to the shortfall of nearly 20 per cent in 1978.

TABLE 19. — INDEX OF THE PHYSICAL VOLUME OF MINING
AND QUARRYING PRODUCTION, 1977—1979
(1972=100)

	1977p/	1978r/	1979p/	Per Cent Change	
				1978	1979
MINING AND QUARRYING	131.3	127.4	133.1	— 3.0	4.5
Metallic Ore Mining	134.6	123.4	131.5	— 8.3	6.6
Gold ore mining	92.0	96.6	99.3	5.0	2.8
Other precious metal ore mining	84.3	85.1	92.8	0.9	9.0
Copper ore mining ^{1/}	120.8	114.5	124.1	— 5.2	8.4
Nickel ore mining	9,578.4	7,689.6	7,816.7	—19.7	1.7
Chromite ore mining	127.7	125.5	122.1	— 1.7	— 2.7
Iron ore mining	—	0.079	0.134	—	69.6
Other base metal ore mining	386.3	160.3	185.8	—58.5	15.9
Non-Metallic Mining and Quarrying	116.4	145.3	140.3	24.8	— 3.4
Coal mining	731.4	654.2	672.0	—10.6	2.7
Stone Quarrying, clay and sand pits ^{2/}	124.7	170.8	156.0	37.0	— 8.7
Other non-metallic min- ing and quarrying ^{2/}	84.0	92.4	100.5	10.0	8.8

1/ In concentrate.

SOURCE OF BASIC DATA: Bureau of Mines.

The depressed market for chromite in 1978 influenced the continued drop in production of this product, particularly the metallurgical category which declined by 23.3 per cent in 1979. On the whole, chromite output fell by 2.7 per cent. On the other hand, iron-lump ore-production picked up by nearly 70 per cent to about 2,957 metric tons after the start of production a year ago.

During the same period, production of other base metals registered a marked upturn of 15.9 per cent with the much improved performance of lead. The latter showed a 34.6 per cent increase in output as against the 60.8 per cent cutback in 1978. This substantial recovery more than made up for the unabated drop in zinc and manganese output. Meanwhile, mercury remained outside the production line.

Non-metallic mining and quarrying production dropped by 3.4 per cent after gaining 24.8 per cent in 1978. The downturn in output of the heavily-weighted stone quarrying, clay and sandpits together with the sluggish growth in other non-metallic mining and quarrying offset the slight recovery observed in coal mining.

Manufacturing

In 1979, the volume of production of manufactured goods continued to improve although at a slightly lower rate of 4.5 per cent compared to the 4.8 per cent increase registered in the previous year. The series of upward adjustments in both labor and material costs caused by the increase in oil prices during the year restricted expansion in many industries. A general uptrend in gross sales was also observed for the various manufacturing industries during the period.

Much of the overall gain in manufacturing output was accounted for by the 7.3 per cent expansion of the heavily-weighted food, beverages and tobacco group. Food processing which received top priority in the government's efforts to stabilize supply and prevent undue price spirals responded favorably with a 9.4 per cent increment against 4.8 per cent in 1978. Beverages production also gained but at much reduced rate of 0.4 per cent, while tobacco manufactures showed an improvement in the rate of increase, from 3.2 per cent to 3.9 per cent.

TABLE 20. — INDEX OF THE PHYSICAL VOLUME OF PRODUCTION
IN MANUFACTURING
1977—1979
(1972=100)

	1977	1978	1979p/	Per Cent Change	
				1978	1979
MANUFACTURING	120.4	126.2	131.9	4.8	4.5
Food, beverages and tobacco	117.4	123.6	132.6	5.3	7.3
Textile wearing apparel and leather industries	142.0	145.9	151.1	2.7	3.6
Wood & wood products, in- cluding furniture	113.4	118.8	128.7	4.8	8.3
Paper & paper products, print- ing and publishing	114.0	124.5	131.2	9.2	5.4
Chemicals and chemical, pe- troleum, coal, rubber & plas- tic products	97.5	103.6	106.3	6.3	2.6
Non-metallic mineral prod- ucts, except products of petroleum and coal	109.8	117.2	125.2	6.7	6.8
Basic metal industries	198.8	204.2	204.0	2.7	-0.1
Fabricated metal products, machinery & equipment	131.6	131.8	129.0	0.2	-2.1
Other manufacturing indus- tries	92.6	97.2	97.4	5.0	0.2

SOURCES OF BASIC DATA: Sample establishments.

The combined output of the textile, wearing apparel and leather industry group rose by 3.6 per cent, slightly better than the 2.7 per cent increase in 1978. Due to highly improved quality and relatively lower prices, locally-made textile competed ably with imported fabrics in their share of the domestic market while

ready-made garments continued to penetrate foreign outlets despite protectionist trends in some of the country's trading partners. Similarly, with improved production technology, the footwear industry showed a marked increase of 8.1 per cent in 1979, four times the growth achieved in the preceding year. Footwear exports exceeded previous year's shipments by more than 40 per cent.

At the absolute level, wood and wood products recorded the highest expansion of 8.3 per cent. This was brought about by the favorable export prices of lumber and plywood as well as the continuously growing local demand for these commodities. The gradual phasing out of log exports provided sawmills with adequate supply.

Paper and paper products, non-metallic mineral products and other manufacturing industries posted output gains but were below their previous year's growth records. Production of paper and paper products rose by 5.4 per cent while other manufacturing industries recorded a slight gain of a 0.2 per cent. The increased output of cement contributed to the 6.8 per cent growth in non-metallic mineral products although glass, pottery and earthenware dropped from their year-ago levels. With the lifting of an earlier ban on exportation and the upward adjustment in ceiling prices, cement factories resumed normal operations to meet the rising demands of construction and infrastructure.

Basic metal and fabricated metal products were the two major groups which registered production cutbacks in 1979. While the former dipped a point lower than its previous year's level, the latter experienced a bigger reduction in output of 2.1 per cent. This was due primarily to inadequate supply and rising costs of steel sheets and tin plates.

Construction

A marked improvement was noted in both the number and value of private building construction in the City of Manila in 1979 compared to 1978, though short of the 1977 levels. The pick-up in construction activities, reflected largely in the residential type, was due partly to better access to housing loans from both government and private financial institutions.

The total number of building permits awarded during the year reached 1,940 or an increase of 11.8 per cent, in contrast to the 17.8 per cent decline in 1978. The higher growth of 32.0 per cent in value, which amounted to P665.6 million, was attributed largely to higher costs of materials which increased by 22.7 per cent. In addition, labor costs rose by more than 20 per cent.

Of the total number of building permits, private residential buildings accounted for 26.0 per cent, consisting of 505 units with

TABLE 21. — PERMIT VALUATION OF BUILDING CONSTRUCTION
BY TYPE IN THE CITY OF MANILA
1977—1979
(Value in million pesos)

	1977		1978		1979		Per Cent Change			
	Number	Value	Number	Value	Number	Value	1978		1979	
							Number	Value	Number	Value
[38] T O T A L	2,111	695.5	1,736	504.2	1,940	665.6	— 17.8	— 27.5	11.8	32.0
Residential	420	166.2	355	108.7	505	174.1	— 15.5	— 34.6	42.3	60.1
Non-Residential	287	403.1	236	292.9	269	381.1	— 17.8	— 27.3	14.0	30.1
Addition, alteration & repair ..	1,404	126.1	1,145	102.6	1,166	110.4	— 18.4	— 18.7	1.8	7.6

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

a corresponding value of P174.1 million. This represented an increase of 150 units or 42.3 per cent valued at P65.4 million or 60.1 per cent higher than its year-ago figure.

The addition of 35 commercial units or an increment of 32.7 per cent with a corresponding rise in value of P96.0 million reversed the slowdown recorded in 1978 and led the expansion in the non-residential group. The institutional category likewise contributed to this growth exhibiting more than a hundred per cent increment, from 13 to 27 units costing P53.7 million. Although consisting of only about 1 per cent of the aggregate number of permits issued during the year, industrial and public utility establishments nonetheless expanded by 116.2 per cent to P11.0 million. However, permits for other establishments declined by P46.9 million or 63.1 per cent from the previous year's level of P74.2 million.

Meanwhile, permits for addition, alteration and repairs totalled 1,166, exceeding the previous year's record of 1,145 by 1.8 per cent. Valuedwise, the increase was greater by 7.6 per cent or P7.8 million. This was in sharp contrast to the slump observed under this category in 1978.

Real Estate

Real estate transactions in the Cities of Manila, Quezon and Pasay for the first nine months of 1979 rose significantly compared to those of the same period in 1978. In both sales and mortgages, Quezon City accounted for about two-thirds while Manila and Pasay contributed the rest. This disproportionate development in real estate activity reflected, on one hand, the limited number and high prices of lots in Manila and Pasay, and on the other, the emergence of several subdivisions and government and private establishments in Quezon City.

Sales volume was recorded at 9,362 which was 26.8 per cent more than the number of deals made in 1978. The total number of transactions was valued at P919.8 million, increasing by 48.4 per cent or about four times the gain obtained a year ago. Quezon City which sustained its previous year share of 70 per cent, reported 6,514 transactions amounting to P716.8 million for an accelerated increase of 27.5 per cent in number and 42.3 per cent in value. For Manila, the number of sales reached 2,460 or only about a fourth of the total. Nonetheless, it registered the highest percentage increase of 29.1 per cent among the three cities. The corresponding value aggregated P145.7 million, or a gain of 90.5 per cent over that of 1978. This pronounced growth was reflective of the continuous hike in land prices and sale of prime sites in Manila during the period. Sales in Pasay numbered 388 at a cost of P57.3 million. In contrast to the slump observed in this area a year ago, the volume rose at a modest rate of 4.9 per cent although value improved by 44.3 per cent.

TABLE 22. — REAL ESTATE SALES AND MORTGAGES IN MANILA, QUEZON, PASAY AND OTHER CITIES

January—September, 1977-1979

(Value in Million Pesos)

		1977		1978		1979		Per Cent Change			
		Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
[40]	SALES	<u>6,562</u>	<u>555.7</u>	<u>7,386</u>	<u>620.0</u>	<u>9,362</u>	<u>919.8</u>	12.6	11.6	26.8	48.4
	Manila	<u>1,612</u>	<u>126.1</u>	<u>1,906</u>	<u>76.5</u>	<u>2,460</u>	<u>145.7</u>	18.2	—39.3	29.1	90.5
	Quezon City	4,552	384.5	5,110	39.7	6,514	716.8	12.3	31.0	27.5	42.3
	Pasay City	398	45.1	370	503.8	388	57.3	— 7.0	—12.0	4.9	44.3
	MORTGAGES	<u>5,620</u>	<u>842.8</u>	<u>6,347</u>	<u>1,146.4</u>	<u>6,877</u>	<u>1,352.3</u>	12.9	36.0	8.4	18.0
	Manila	<u>2,489</u>	<u>284.7</u>	<u>2,777</u>	<u>305.6</u>	<u>2,488</u>	<u>546.6</u>	11.6	7.3	—10.4	18.9
	Quezon City	2,858	494.8	3,221	633.4	4,059	745.3	12.7	28.0	26.0	17.7
	Pasay City	273	63.3	349	207.4	330	60.4	27.8	227.6	— 5.4	70.9

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

In the first nine months of 1979, total mortgages reached 6,877 with a corresponding value of ₱1,352.3 million, gaining 8.4 per cent in volume and 18.0 per cent in value over 1978 levels. Quezon City exceeded its previous year's total mortgage deals by 26.0 per cent, and negotiated 4,059 contracts involving ₱745.3 million. Transactions in Manila and Pasay contracted in volume by 10.4 per cent and 5.4 per cent, respectively. While value in Manila rose by 78.9 per cent to ₱546.6 million, Pasay registered a 70.9 per cent decline from ₱207.4 million in 1978 to ₱60.4 million in 1979.

Electricity

Output and sales of power accelerated further during the first three quarters of 1979 in response to the increasing requirements of industries and countryside electrification.

Electricity generated during the period reached 9,954 million kwh or an increase of 6.4 per cent from its year-ago level of 9,358 million kwh. The growth in production was boosted by the energization of four geothermal power plants, Tiwi I and II and Makban I and II as well as improvement in existing plants of the National Power Corporation (NAPOCOR). Power generation of the plants acquired by NAPOCOR from Meralco was down by 5 per cent compared to the previous year due to the shutdown for overhauling of two generating stations.

For the nine-month period, power sales aggregated 9,316 million kwh, up by 14.0 per cent from the 8,188 million kwh sold during the same period last year. The corresponding value, however, rose markedly by 78.0 per cent to ₱3,888 million as a result of upward adjustments in power rates effected in April and September, 1979.

Of the total power sold, 67.4 per cent or 6,283 million kwh represented NAPOCOR sales to Meralco with the remaining 32.6 per cent of 3,033 million kwh absorbed by cooperatives and other private firms.

TABLE 23. — PRODUCTION AND SALES OF ELECTRICITY, 1978 and 1979
(Million KWH)

	1979	Jan.-Sept. 1978	Per Cent Change
PRODUCTION	9,954	9,358	6.4
SALES	9,316	8,188	14.0
Meralco	6,283	5,506	14.0
Others	3,033	2,682	14.0

SOURCES OF BASIC DATA: National Power Corporation (NAPOCOR)
Manila Electric Company (MERALCO)

Transportation

Philippine National Railways

The performance of the Philippine National Railways (PNR) as cargo and passenger carrier continued to slow down in 1979. However, despite the sustained heavy competition offered by bus and cargo truck activities, particularly, along the south route, the setback in railway operations during the year was not as pronounced as in 1978.

Rail passengers carried by the PNR numbered 8.5 million with total receipts amounting to ₱38.6 million, each showing a decline of more than 10 per cent from the 1978 record of 9.6 million persons and corresponding receipts of ₱43.1 million. Of the total number of passengers, a little over 100,000, or 1.2 per cent were booked in first-class coaches for a revenue of ₱2.1 million, reflecting a drop of more than 40 per cent in number and 70 per cent in revenue. However, a slight increase in earnings of ₱0.7 million or 1.8 per cent was grossed from third-class passengers, despite the decline of more than ten per cent in number from 9.4 million in 1978 to 8.4 million during the year.

Total net tonnage transported in 1979 aboard PNR coaches totalled 179 thousand m.t. which was almost 9 per cent less than the comparable figure in 1978. On the other hand, the corresponding gross earnings from aggregate freight and express handled during the period rose by 13.5 per cent to ₱10.2 million.

Of the total cargoes loaded, more than 80 per cent or 145 thousand m.t. were carried on freight trains while the rest were transported on express coaches. While both types of cargo carriers declined in volume by 8 per cent, higher charges for express cargoes resulted in a bigger increase in earnings of 15.2 per cent, in contrast to the slump of 27.8 per cent in 1978. Meanwhile, gross receipts from freight cargoes recovered from a decline of 23.6 per cent in 1978 to a gain of 12.3 per cent.

International Shipping

International shipping traffic at the Port of Manila slowed down in 1979 notwithstanding government efforts aimed at improving berth management. While policies related to access to the pier zones were relaxed during the year to benefit port users and trucking companies, traffic congestion and the truck ban contributed to the delay in movement of cargoes, and to the observed slack in similar activities in the port area.

Vessels which called at the Port of Manila totalled 2,854, showing a minimal increase of 0.1 per cent over the comparable figure in 1978. The corresponding net tonnage weighed 11,880 thousand metric tons or 5.2 per cent higher than the 11,303 thousand metric tons last year.

During the same period, vessel clearances aggregated 2,787 which was 0.6 per cent lower than the 2,804 ships dispatched in the previous year. In terms of tonnage, outgoing ships were 1.3 per cent heavier and weighed 1,546 thousand metric tons.

Employment

Preliminary figures for 1979 showed employment expanding by 7.0 per cent as seven out of nine industry groups responded favorably to the government's efforts of stimulating activities in various sectors of the economy.

Financing, insurance, real estate and the business services group exhibited the highest gain of 21.8 per cent largely as a result of accelerated land developments and increased operations of banking institutions and other financial intermediaries. Brisker activities of insurance establishments particularly the Government Service Insurance System, also contributed to the substantially bigger work force of this group during the period.

Coincident with the marked expansion in agricultural output, employment in the heavily-weighted agricultural, forestry and fishing group increased by 4.1 per cent in 1979 as against only 1.9 per cent in the previous year. In the manufacturing sector, the previous year's growth of more than 4 per cent improved to over 5 per cent to meet the increasing requirements of producers of locally fabricated goods.

TABLE 24. — EMPLOYMENT INDEX, BY MAJOR DIVISION, 1977—1979
(1972=100)

	1977	1978	1979	Per Cent Change	
				1978	1979
ALL ITEMS	126.2	129.0	138.0	2.2	7.0
Agriculture, etc.	116.3	118.5	123.3	1.9	4.1
Mining & quarrying	122.8	113.7	119.3	(7.4)	4.9
Manufacturing	136.4	142.1	149.5	4.2	5.2
Electricity, gas & water	189.9	215.1	243.8	13.3	13.3
Construction	202.9	167.7	196.5	(17.3)	17.2
Wholesale & retail trade	123.5	129.7	138.6	5.0	6.9
Transport, storage & communication	102.2	110.0	111.5	7.6	1.4
Financing, insurance, real estate & business ser- vices	129.5	135.1	164.6	4.3	21.8
Community, social & personal services	114.4	118.6	113.8	3.7	(4.0)

SOURCES OF BASIC DATA: Sample establishments.

Meanwhile, renewed residential and non-residential building activities particularly in the Manila area pulled up employment in construction by 17.2 per cent against the big slump experienced by this industry a year ago. In 1979, the mining sector

also registered a significant upturn in its employment force with an increase of 4.9 per cent compared to the 7.4 per cent reduction in 1978. This was attributed mainly to the accelerated operations of mines, specifically, those engaged in the production of copper, nickel, chromite and other precious metals. For the same period, public utilities and the wholesale and retail trade industry showed higher employment gains of 13.3 per cent and 6.9 per cent respectively while the transport group expanded its work force at a decelerated rate of 1.4 per cent compared to 1978.

On the other hand, employment in the community, social and personal services dropped by 4.0 per cent.

Earnings

Earnings of both salaried employees and wage earners including basic compensation, overtime pay, allowance and wage adjustments improved in 1979. The two wage adjustments granted in April and September contributed substantially to the increased earnings of employees and workers.

During the year, the average monthly earnings of salaried employees rose by 25.9 per cent compared to 17.4 per cent in 1978. Salaried workers in all the industry groups exhibited generally smooth uptrends. Even as the community, social and personal services and the electricity, gas and water groups registered decreased employment during the year, substantial improvement in the workers' earnings was reported in 1979.

Spurred by the accelerated food production activities in agriculture, salaried workers in this group enjoyed the highest pay increase of 44.1 per cent, about twice the gain registered in 1978. The financing, insurance, real estate and business services group followed closely with a 35.7 per cent increase. The favorable trends in the world markets for the country's manufactured exports and sustained domestic demand for locally-made goods contributed to the 10.7 per cent pay increase in manufacturing. Meanwhile, earnings of construction workers grew by 16.7 per cent in 1979, following a slump in 1978. While those for mining and quarrying moved faster by 24.4 per cent during the year, wholesale and retail trade slowed down from 22.1 per cent a year ago to 13.7 per cent in 1979.

In parallel with those of their salaried counterparts, earnings of wage workers in all industries registered double-digit increases averaging a gain of 24.8 per cent for the year.

With increased output of metallic ore mining and non-metallic mining as well as quarrying, the workers' pay in this group led with a 44.2 per cent increase. Earnings of those engaged in agriculture as well as in transport, storage and communication rose by an identical 31.9 per cent. Gains in compensation of the group during the period ranged from 10.9 per cent (manufacturing) to 26.7 per cent (services group).

TABLE 25. — INDEX OF AVERAGE MONTHLY EARNINGS OF
SALARIED EMPLOYEES
1977—1979
(1972=100)

	1977	1978	1979	Per Cent Change	
				1978	1979
ALL WORKERS	158.8	186.5	234.8	17.4	25.9
Agriculture, etc.	129.1	157.7	227.2	22.2	44.1
Mining & quarrying	138.8	164.9	205.2	18.8	24.4
Manufacturing	175.4	190.6	210.9	8.7	10.7
Electricity, gas & water	251.9	283.4	337.0	12.5	18.9
Construction	168.5	168.4	196.6	(0.1)	16.7
Wholesale & retail trade	177.2	216.3	245.9	22.1	13.7
Transport, storage & commu- nication	174.0	181.5	197.1	4.3	8.6
Financing, insurance, real es- tate & business services	202.1	257.6	349.6	27.5	35.7
Community, social & person- al services	129.0	146.1	176.8	13.3	21.0

SOURCES OF BASIC DATA: Sample establishments.

TABLE 26. — INDEX OF AVERAGE MONTHLY EARNINGS
OF WAGE EARNERS
1977—1979
(1972=100)

	1977	1978	1979	Per Cent Change	
				1978	1979
ALL WORKERS	144.8	164.4	205.2	13.5	24.8
Agriculture, etc.	121.6	154.4	178.3	11.2	31.9
Mining & quarrying	204.6	223.8	322.7	9.4	44.2
Manufacturing	162.7	195.6	217.0	20.2	10.9
Electricity, gas & water	125.7	115.7	131.2	(8.0)	13.4
Construction	183.4	205.2	252.3	11.9	23.0
Wholesale & retail trade	125.1	135.9	171.6	8.6	26.3
Transport, storage & communication	180.1	223.5	294.8	24.1	31.9
Financing, insurance, real es- tate & business services	189.3	212.4	266.1	12.2	25.3
Community, social & person- al services	117.1	131.2	166.2	12.0	26.7

SOURCES OF BASIC DATA: Sample establishments.

Gross Sales

The gross sales index (1972=100) for 1979 moved up at an accelerated rate of 16.1 per cent over that of 1978. The increase in gross sales could be attributed to the marked improvement in workers' income which partly induced greater consumer spending and to the surge in consumer prices.

Except for the wholesale and retail trade industry which declined by 5.8 per cent following a record expansion of 17.9 per cent in 1978, gross sales in all industries covered were higher compared to previous year levels.

Primarily influenced by higher rentals and increased educational fees, charges of hotels and restaurants, the community, social and personal services group showed the biggest gain of 51.5 per cent, or more than five times the increase in 1978. Similarly, the transport, storage and communication group registered a marked improvement of 37.9 per cent in 1979, from 8.2 per cent a year ago; as a result of two adjustments in public utility rates during the year, the index for heavily-weighted transport moved up by 41.5 per cent. In manufacturing, sales gained by a higher 15.3 per cent in 1979 following the sustained increase in demand for locally fabricated goods in the domestic as well as foreign markets.

Likewise, the accelerated demand from both the commercial and residential sectors pushed up the aggregate sales of electricity, gas and water by 22.1 per cent.

TABLE 27. — GROSS SALES AND/OR RECEIPTS
INDEX BY INDUSTRY DIVISION
1977—1979
(1972=100)

				Per Cent Change	
	1977	1978	1979	1978	1979
ALL ITEMS	255.0	289.6	336.1	13.6	16.1
Agriculture, etc.					
Mining & quarrying					
Manufacturing	288.2	323.6	373.0	12.3	15.3
Electricity, gas & water	389.6	452.8	552.9	16.2	22.1
Construction					
Wholesale & retail trade	303.3	357.6	337.0	17.9	(5.8)
Transport, storage & communication	203.9	220.6	304.1	8.2	37.9
Financing, insurance, real estate & business services					
Community, social & personal services	169.6	186.8	283.0	10.1	51.5

SOURCE OF BASIC DATA: Sample establishments.

DEVELOPMENTS IN THE EXTERNAL SECTOR

Foreign Exchange Policy

Foreign exchange policy in 1979 reflected concerted efforts at improving the balance of payments position particularly by accelerating the growth and diversification of the country's exports. Attention was also devoted to restraining the expansion of imports and to rationalizing and streamlining outward as well as inward flows of investment and loan capital.

In addition to simplifying export procedures governing non-traditional exports (Circular No. 702 dated November 16, 1979), the Central Bank introduced changes in its rediscount policy which led to a general increase in financing available for exports, to special incentives for the development of export-oriented, small scale/cottage industries and to the eligibility of export service and construction contracts for Central Bank refinancing. These export-related measures were:

1. Circular No. 658 dated March 5, 1979 which granted commercial banks another 50 per cent addition to their ceiling for purposes of rediscounting export paper with the Central Bank—in effect increasing export financing for all commercial banks to 100 per cent of their basic rediscount lines.
2. Circular No. 668 dated March 20, 1979 which provided, with respect to the rediscounting of eligible paper of export-oriented, small/scale cottage industries involving accounts not exceeding ₱1 million (a) an increase in the loan value of such paper from 80 per cent to 100 per cent and (b) a decrease in the rediscount rate from 4 per cent to 3 per cent per annum, while maintaining the maximum bank lending rate at 9 per cent, plus bank charges not exceeding one per cent.
3. Circular No. 671 dated March 28, 1979 which expanded the list of instruments/paper eligible for rediscounting to include paper of exporters of services and construction contracts. Rediscounting against such paper shall be under the same terms and conditions as those for export-oriented industries and shall have maturities not to exceed 180 days from date of availment or not later than the expiration of the contract, whichever comes first.

The rediscount rate for traditional exports, however, was raised from 4 per cent to 6 per cent under Circular No. 704 dated November 29, 1979. This was in conjunction with the across-the-board increase in interest rates which was undertaken to align domestic rates with the uptrend in major international financial centers.

With the sharp rise in oil prices putting a serious strain on the balance of payments, the Central Bank gradually increased the reserve requirement against marginal deposits on import letters of credit from 50 per cent to 100 per cent, the latter with effect from November 30, 1979 (Circular No. 683 dated July 6, 1979). Furthermore, under Memorandum to Authorized Agent Banks No. 35 dated July 27, 1979, the Central Bank limited government securities eligible as reserves against marginal deposits to those with interest rates not exceeding 4 per cent per annum. Higher-yielding securities, namely, 4.7 per cent and 6 per cent Treasury Bonds may continue to be held for reserve purposes provided that such bonds shall not be reissued after they shall have been presented to, and repurchased by the Central Bank.

Central Bank policy on investments and capital flows, however, remained basically unchanged. While there were some capital regulations issued during the year, these sought to align costs of foreign borrowings with those prevailing in money and capital markets abroad and/or closely monitor foreign investment flows. More specifically, these regulations were the following:

1. Circular 685 dated July 13, 1979 limiting financing charges on short-term foreign loans to the following lower maximum rates: interest spread, $\frac{3}{4}$ per cent per annum over LIBOR/SIBOR/prime rate of the lending country; and commitment fee, $\frac{1}{2}$ per cent per annum on the undrawn balance of fixed-term credits.

Under this same Circular, short-term foreign borrowings from Offshore Banking Units (OBUs) and other offshore sources as well as from Foreign Currency Deposit Units (FCDUs) were required to be referred to the Central Bank for prior approval. If intended to finance the foreign exchange requirements of domestic borrowers, these borrowings were approved as a matter of course.

2. Circular 652 dated February 2, 1979 requiring all existing investments abroad of resident corporations, entities or individuals including those not previously approved by the Central Bank to be registered with the Central Bank through the Management of External Debt and Investments Department (MEDIAD). In the same manner, all new outward investments as well as additions to existing foreign investments have to be referred to the Central Bank for prior approval.

3. Furthermore, to ascertain that foreign companies in the Philippines would bring in adequate capital and that their peso borrowings for capital requirements would be maintained at reasonable levels, Circular No. 657 dated February 20, 1979 was issued requiring foreign companies in the Philippines who avail themselves of peso borrowings to present a valid certification that they meet the guidelines prescribed by the Monetary Board.

Other important circulars and memoranda issued by the Central Bank during the year involved the authorization of immediate payment to gold producers of the full value of gold being sold to the Central Bank; the inclusion of the Hongkong dollar, the Singapore dollar and the Belgian franc in the list of foreign currencies prescribed by the Central Bank to form part of the Philippines' international reserve; and clearance requirements for specified imports which could be supplied from domestic sources.

Balance of Payments

The country's balance of payments in 1979 was characterized by a substantial deficit on current account which was financed in large part by net inflows of capital. Both the merchandise trade and combined services and income accounts reflected deficits which amounted to \$1,540.5 million and \$375.2 million, respectively. On the other hand, net inflows in the form of unrequited transfers, direct investments and long-term loans aggregated \$1,594.5 million while short-term capital and net errors and omissions (a balancing item) yielded a net outflow of \$318.9 million. The monetization of gold worth \$41.3 million and the allocation of Special Drawing Rights (SDRs) of \$28.4 million further supplemented these capital inflows and transfers. Altogether, balance of payments transactions resulted in an overall deficit of \$570.4 million, which was ten times more than the prior year's deficit of \$54.3 million.

The trade balance deteriorated by \$233.2 million from \$1,307.3 million in 1978 despite a substantial rise in exports by \$1,176.3 million to \$4,601.2 million. The deficit was due chiefly to the sharp expansion in imports by \$1,409.5 million to \$6,141.7 million. Crude oil and other petroleum products accounted for 25.2 per cent of this increase — nearly all of which could be traced to the series of increases in oil prices during the year. The import bill for crude oil alone went up by \$207.2 million to \$1,114.5 million although the actual volume of crude oil purchases during the year was cut down by 6.4 million barrels to 65.8 million barrels. In percentage terms, 1979's crude oil prices averaged 34.9 per cent above 1978 price levels. At the same time imports of other petroleum products increased in price by an average of 28.2 per cent and in volume by 84.2 per cent. Aggregating \$1,385.0 million, imports of mineral fuel, lubricants and related materials thus made up 22.5 per cent or close to one fourth of total imports in 1979.

Three other major imports, namely, transport equipment, machinery other than electric and base metals, which together comprised almost one third of the total, posted sharp increases totalling \$516.6 million, also about a third of the overall rise in imports. Besides oil which significantly raised the annual average level of import prices, these commodities led the general upturn in import volume and prices recorded in 1979 of 9.2 per cent and 16.9 per cent, respectively. As to end-use, producer goods accounted for 95.1 per cent and consumer goods, for 4.9 per cent of this year's expansion in the value of imports.

Exports exhibited a high growth of 34.3 per cent during the year compared with only 8.7 per cent in 1978. Favorable price development abroad coupled with a moderate expansion in the volume of shipments boosted earnings from exports by \$1,176.3 million or four times the previous year's gain. The country's principal exports, especially copper concentrates, coconut oil, lumber and semi-conductor devices, contributed importantly to this rise. Non-traditional exports as a group brought in revenue amounting to \$1,993.5 million which surpassed the previous year's performance by \$575.7 million.

Largely because of the sizeable advance in the prices of exports, the net terms of trade improved from 78.2 per cent in 1978 to 81.6 per cent in 1979, and similarly the purchasing power of exports rose from 119.3 per cent to 136.1 per cent.

The negative balance on services and income accounts, however, increased by \$197.1 million from \$178.1 million in 1978, as this year's net disbursements for transportation and merchandise insurance as well as for the servicing of loans and repatriation of investment income exceeded the prior year's levels by 30.8 per cent and 27.0 per cent, respectively. Nevertheless, the drain on resources was mitigated to a significant extent by the rise in personal income of contract workers and seamen by \$72.0 million to \$358.7 million and the continued gain in travel (mainly tourist income) from \$158.8 million to \$163.7 million in 1979.

Long-term capital movements, that is, inclusive of direct investments, resulted in a 6.7 per cent increase in net inflows from \$1,062.1 million in 1978 to \$1,239.4 million in 1979. All of this could be attributed to the public sector which accounted for \$1,051.2 million or nine-tenths of the aggregate net long-term capital inflow. Meanwhile, net private loans amounted to \$238.7 million, up by \$29.4 million from a year ago. Net direct investments likewise recorded a decline of 48.4 per cent from \$171.0 million in 1978 owing chiefly to increased Philippine investments abroad, remittances by oil service contractors and withdrawal of capital by foreign investors. New direct foreign investments in the Philippines, on the other hand, brought in \$140.8 million (about half as large as in 1978), while withdrawal of Philippine investments from foreign domiciles amounted to \$85.1 million.

Amounting to \$86.6 million, the net outflow of short-term capital was a reversal of the 1978 net inflow of \$167.8 million. This was due to higher repayments by the private sector. In the meantime, official short-term capital was \$76.8 million more than last year's level of \$124.0 million.

Notwithstanding the overall deficit in the balance of payments, the international reserve rose by \$540.2 million from 1978 to \$2,422.9 million at the end of December 1979. This growth was reflected in increased holdings of gold and SDRs and in an expansion of foreign exchange assets of the Central Bank.

TABLE 28. — BALANCE OF PAYMENTS
1978—1979
(Million U.S. Dollars)

	1979	1978
A. Goods, Services & Income		
Trade Balance	(1,540.54)	(1,307.31)
Exports	4,601.19	3,424.89
Imports	6,141.73	4,732.20
Of which crude oil and other petroleum products	1,385.00	1,030.00
Shipments & Other Transportation	(475.61)	(363.74)
Travel	163.66	158.75
Investment Income	(515.16)	(405.49)
Government	358.70	286.66
Personal Income	98.26	100.43
Other Services	(5.01)	45.29
Total A	(1,915.70)	(1,485.41)
B. Unrequited Transfers		
Private	335.70	283.88
Official	19.42	28.62
Total B	355.12	312.50
Current Account (net)	(1,560.58)	(1,172.91)
C. Direct Investments		
Reinvested Earnings	46.60	61.66
Others	41.56	109.34
Total C	88.16	171.00
D. Long-Term Loans		
Private	238.70	209.25
Official	912.50	681.86
Total D	1,151.20	891.11
E. Short-Term Capital		
Private	(286.91)	44.30
Official	200.36	123.52
Total E	(86.55)	167.82
F. Net Errors and Omissions	(232.30)	143.68)
Non-Monetary Capital Accounts (net)	920.51	1,086.25
G. Monetization of Gold	41.26	32.32
H. Allocation of SDRs	28.45	—
I. Overall Position (A thru H)	(570.36)	(54.34)
J. Monetary Movements		
Gold	(47.23)	(73.92)
Special Drawing Rights	(23.03)	6.51
CB Foreign Exchange Assets, Inc. (—)	(469.94)	(290.22)
Net IMF Accounts	84.80	33.23
Central Bank Liabilities	396.79	17.99
Commercial Banks' Foreign Exchange Assets, Inc. (—)	3.12	(573.23)
Commercial Banks' Foreign Exchange Liabilities	625.85	933.98
T O T A L	570.36	54.34

External Trade

Exports

Philippine exports registered a substantial hike in earnings in 1979 mainly as a result of favorable world market prices and an overall increase in the volume of sales of the country's export products. The strong export performance was also influenced, to a large extent, by the stepped-up export promotion drive of the government. Among the export measures taken during the year were: credit support and fiscal incentives to export-oriented industries, establishment of regional trade commissions in major economic areas, simplification of procedures for processing of export paper through the creation of an integrated clearance center and negotiations for greater export quotas and reduction of tariff duties on Philippine products.

Totalling \$4,601 million, exports expanded by \$1,176 million or 34.3 per cent compared with the gain of \$274 million or 8.7 per cent in 1978. The leading exports, excluding semi-conductor devices and iron ore agglomerates, accounted for 44.6 per cent of total exports and were responsible for 44.8 per cent of the aggregate export growth. On the other hand, non-traditional exports, including semi-conductor devices and iron ore agglomerates which were ranked among the top ten exports for the year in review, contributed 43.3 per cent to total exports and generated 49.0 per cent of the overall rise in export receipts.

TABLE 29. — TEN PRINCIPAL EXPORTS
1978 and 1979
(F.O.B. Value in Million U.S. Dollars)

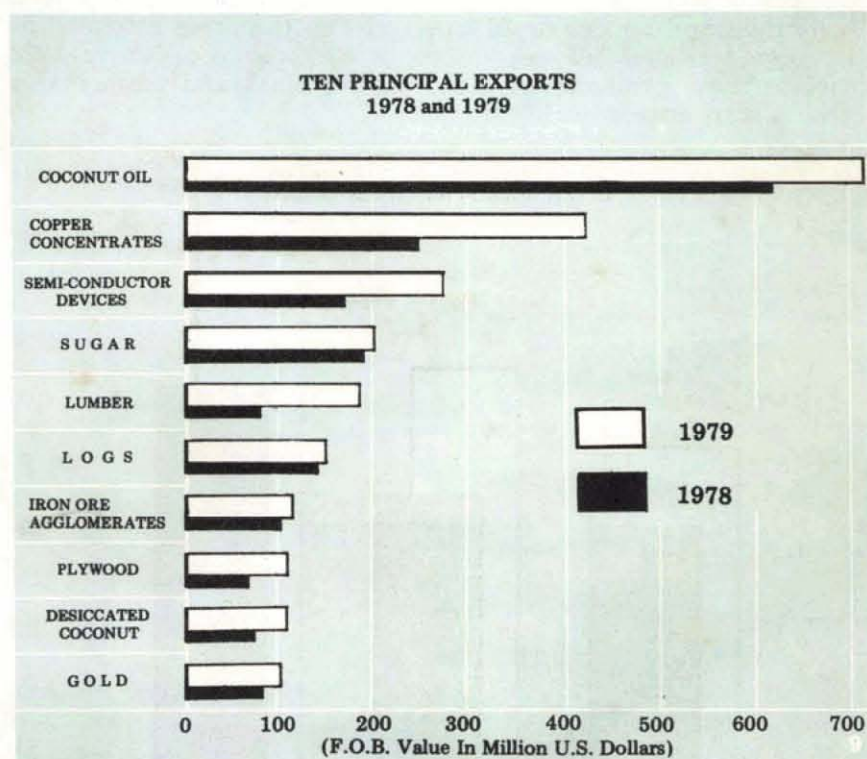
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	Value	Per Cent Distribution	Value	Per Cent Distribution
Coconut oil	742	16.1	620	18.1
Copper concentrates	440	9.6	250	7.3
Semi-conductor devices	289	6.3	174	5.1
Sugar (centrifugal & refined)	212	4.6	197	5.8
Lumber	198	4.3	85	2.5
Logs	144	3.1	145	4.2
Iron ore agglomerates	120	2.6	104	3.0
Plywood	107	2.3	72	2.1
Desiccated Coconut	107	2.3	82	2.4
Gold	103	2.2	76	2.2
Total Ten Principal Exports	2,462	53.5	1,805	52.7
Others	2,139	46.5	1,620	47.3
TOTAL EXPORTS	4,601	100.0	3,425	100.0

Export earnings of coconut oil aggregated \$742 million and exceeded the level of the previous year by \$122 million or 19.7 per cent. This occurred as the 214 thousand metric tons or 21.0

per cent decline in shipments was offset by the increase of \$314 or 51.5 per cent in the average price per metric ton of coconut oil. Coconut oil was the top dollar earner for the second consecutive year and contributed 16.1 per cent of total exports. Aside from favorable prices, the strong export performance of coconut oil was boosted by the reduction of its premium duty by 48 per cent effective March 1, 1979.

Shipments of copper concentrates at 1,048 thousand metric tons reflected a 153 thousand metric tons or 17.1 per cent expansion compared to the previous year. Stockpiling of copper concentrates by industrialized countries as a hedge against sharply fluctuating prices contributed to the strong demand for copper concentrates. With this development, the country's export earnings from copper concentrates increased from \$250 million in 1978 to \$440 million in 1979. Representing 9.6 per cent of total exports, copper concentrates remained the second major export product.

Semi-conductor devices, a non-traditional export, dislodged sugar as the third major export with earnings amounting to \$289 million or 6.3 per cent of total exports. Compared to earnings last year, an increase of \$115 million or 66.1 per cent was registered as sales to all major outlets, particularly the United States, Hongkong and Japan rose to higher levels.

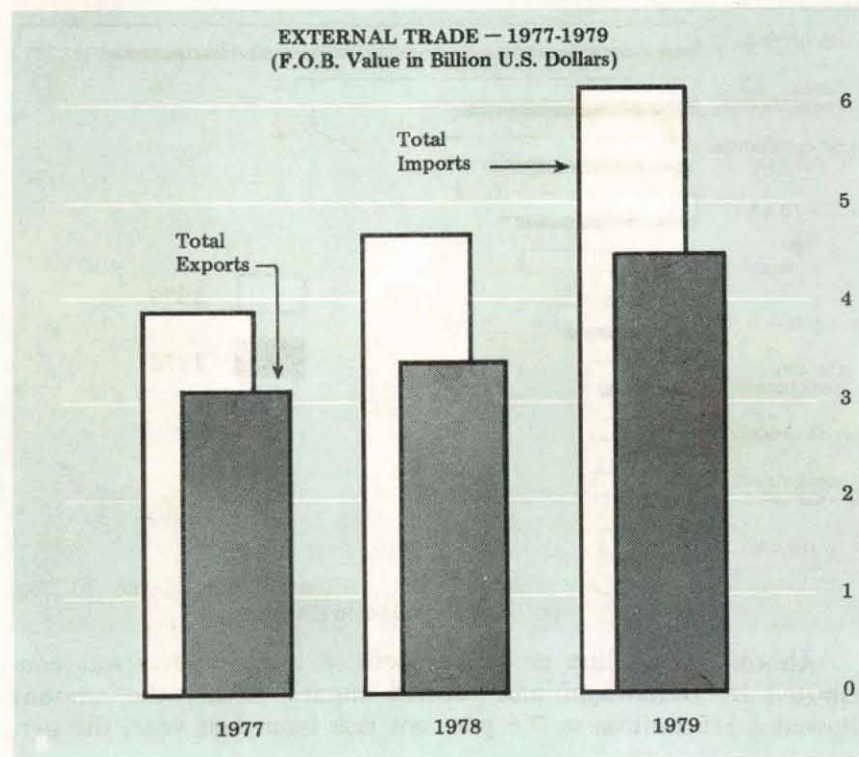


About \$212 million or 4.6 per cent of total exports was contributed by centrifugal and refined sugar. While the amount showed a \$15 million or 7.6 per cent rise from last year, the per-

centage contribution to total exports was lower by 1.2 per cent. This developed as shipments declined by 26 thousand metric tons or 2.3 per cent while the average price per metric ton improved by \$9 or 5.1 per cent.

The fifth, sixth and seventh top dollar earners during the year were: lumber (\$198 million), logs (\$144 million) and iron ore agglomerates (\$120 million). About 10.0 per cent of total exports came from these products. Of the three, logs decreased in earnings by \$1 million or 0.6 per cent as the price increase of \$50 or 75.8 per cent per cubic meter was substantially negated by a cutback in shipments of 962 thousand cubic meters. Earnings of lumber and iron ore agglomerates showed improvements of \$113 million or 132.9 per cent and \$16 million or 15.4 per cent, respectively. The expansion in the former was on account of higher average price and volume of shipments, while that of the latter was due to bigger shipments.

Of total exports, 2.3 per cent or \$107 million each came from plywood and desiccated coconut and 2.2 per cent from gold (\$103 million). Receipts from plywood expanded by \$35 million or 48.6 per cent due to increase in volume (31 thousand cubic meters or 8.6 per cent) and price (\$74 per cubic meter or 37.2 per cent)). Earnings of desiccated coconut registered a \$25 million upswing, similarly on account of bigger price gains outweighing lesser export volumes. Gold exports rose by \$27 million or 35.5 per cent from last year even as volume of sales dropped by 45 thousand ounces or 10.9 per cent as the price increase for the year averaged \$97 per ounce or 52.7 per cent above 1978 prices. These products were the eighth, ninth and tenth major exports respectively during the year.



Imports

The requirements of domestic industries as well as higher prices resulted in a hiked import bill of \$6,142 million in 1979 compared with \$4,732 million in 1978.

Of the \$1,410 million increase in total imports, about \$1,341 million or 95.1 per cent was accounted for by producer goods and only \$69 million or 4.9 per cent came from consumer goods. Contributing mainly to the accelerated imports of producer goods were the increments in purchases of semi-processed raw materials (\$667 million or 47.3 per cent), unprocessed raw materials (\$246 million or 17.4 per cent) and machinery and equipment (\$234 million or 16.6 per cent). The expansion in imports of consumer goods stemmed mainly from the \$65 million or 24.6 per cent rise in arrivals of non-durable goods.

The ten principal imports accounted for \$4,707 million or 76.6 per cent of total imports. The amount was higher by \$1,163 million or 32.8 per cent from the level in the preceding year as all ten major imports registered higher bills.

Purchases of mineral fuels, lubricants and related materials at \$1,385 million, the biggest import item, accounted for 22.5 per cent of total imports. The amount was \$355 million or 34.5 per cent higher than that of 1978, as an average price hike of \$4.4 or 34.9 per cent per barrel of crude oil could only be partially offset by a cut of 6.4 million barrels or 8.9 per cent in volume of crude oil purchases. Moreover, imports of related product reflected increases in both volume (6.4 million barrels or 84.2 per cent) and average price (\$4 per barrel or 28.2 per cent).

Machinery other than electric, the second biggest import, amounted to \$935 million or 15.2 per cent of total imports. A \$198 million or 26.9 per cent hike in dollar disbursements was incurred largely on account of purchases of textile and leather machinery; civil engineering and contractors' plant and equipment; non-electric parts and accessories of machinery; and other machinery and equipment specialized for particular industries such as steam and vapor generating boilers, agricultural machinery and automatic data processing equipment.

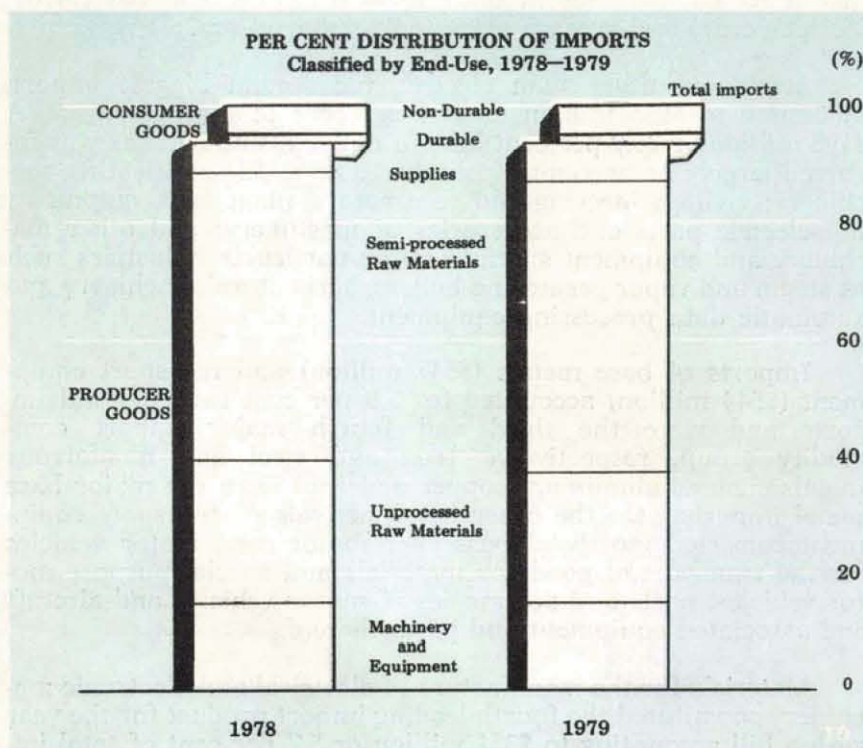
Imports of base metals (\$547 million) and transport equipment (\$544 million) accounted for 8.9 per cent each of total imports and were the third and fourth major import commodity group, respectively. Iron and steel and non-ferrous metals such as aluminum, copper and lead were the major base metal imports. On the other hand, arrivals of transport equipment consisted mostly of passenger motor cars, motor vehicles for the transport of goods or materials and special purpose motor vehicles, parts and accessories of motor vehicles and aircraft and associated equipment and parts thereof.

Materials for the manufacture of electrical and electronic machinery constituted the fourth leading import product for the year with a bill amounting to \$351 million or 5.7 per cent of total im-

ports. These are materials consigned to domestic firms for processing into finished products such as semi-conductor devices. Importations of these products showed a \$132 million or 60.3 per cent upswing from the preceding year, with the bulk of arrivals coming from the United States, Japan, Germany and Hong-kong. Their current import ranking was one slot higher than in the preceding year.

TABLE 30. — IMPORTS BY END-USE
(FOB Value in Million U.S. Dollars)
1978 and 1979

	1979	Per Cent Distribution	1978	Per Cent Distribution
TOTAL IMPORTS	6,142.00	100.0	4,732.19	100.0
PRODUCER GOODS	5,783.31	94.16	4,442.31	93.88
Machinery and Equipment	934.20	15.21	699.75	14.79
Unprocessed Raw Materials	1,401.60	22.82	1,154.93	24.41
Semi-processed Raw				
Materials	3,056.88	49.77	2,390.19	50.51
Supplies	390.63	6.36	197.44	4.17
CONSUMER GOODS	358.69	5.84	289.88	6.12
Durable	29.48	0.48	26.14	0.55
Non-Durable	329.21	5.36	263.74	5.57



Chemical elements and compounds, mainly hydrocarbons, carboxylic acids, inorganic chemical elements and oxides, and organic and inorganic grades of precious metals, contributed \$249 million or 4.1 per cent of total imports and were the sixth leading import commodity group. Close behind in seventh place in import rankings were electric machinery, apparatus and appliances which added \$229 million to, and constituted 3.7 per cent of the overall import bill. These were mostly telecommunication equipment and parts, electric apparatus for making and breaking electrical circuits, electric power machinery, and other electric machinery and apparatus such as sound recording and reproducing apparatus and equipment.

Explosives and miscellaneous chemical materials and products, the bulk of which consisted of polymerization and copolymerization products, and miscellaneous chemical products, added \$195 million to total imports and with a 3.2 per cent share in imports, they were the eighth ranking import product. Completing the list of ten major import products were imports of cereals and cereal preparations (\$144 million) and manufactures of metal (\$128 million). They represented 2.3 per cent and 2.1 per cent of total imports, respectively.

TABLE 31. — TEN PRINCIPAL IMPORTS
1978 and 1979
(F.O.B. Value in Million U.S. Dollars)

	1979		1978		Per Cent Change In Value
	Value	Per Cent Distribution	Value	Per Cent Distribution	
Mineral fuels, lubricants and related materials	1,385	22.5	1,030	21.8	34.5
Machinery other than electric	935	15.2	737	15.6	26.9
Base metals	547	8.9	383	8.1	42.8
Transport equipment	544	8.9	389	8.2	39.8
Materials for the manufac- ture of electrical and elec- tronic machinery*	351	5.7	219	4.6	60.3
Chemical elements and compounds	249	4.5	203	4.3	22.7
Electric machinery, appa- ratus and appliances	229	3.7	203	4.3	12.8
Explosives and miscella- neous chemical and ma- terials and products	195	3.2	152	3.2	28.9
Cereals and cereal prepa- rations	144	2.3	121	2.5	19.0
Manufactures of metal	128	2.1	107	2.3	19.6
TOTAL TEN PRINCIPAL IMPORTS	4,707	76.6	3,544	74.9	32.8
Others	1,435	23.4	1,188	25.1	20.8
TOTAL IMPORTS	6,142	100.0	4,732	100.0	29.8

* This is a specific commodity whereas the other principal imports are groupings of similar commodities.

Direction of Trade

No major shifts in the direction of Philippine external trade were noted during 1979 as the United States and Japan still accounted for more than half of total trade. About one fourth of external trade continued to be directed to the European Economic Community and the Middle East countries; while the rest was transacted mostly with member countries of the Economic and Social Commission for Asia and the Pacific (ESCAP), and the Socialist and Communist countries.

Trade between the United States and the Philippines amounted to \$2,786 million or 25.9 per cent of total external trade. It consisted of \$1,402 million in imports from the U.S. representing 22.8 per cent of total imports and \$1,384 million in Philippine exports equivalent to 30.1 per cent of total exports. Trade with this country, therefore, resulted in a \$18 million deficit, a complete reversal of the \$160 million surplus realized in 1978. The major purchases from the United States were cereals and cereal preparations, power generating machinery and equipment, general industrial machinery and equipment, and specialized machinery for particular industries. On the other hand, Philippine sales to the United States were composed mainly of semi-conductor devices, coconut oil and sugar.

Philippine-Japan trade amounted to \$2,599 million or 24.2 per cent of total foreign trade. The Philippines bought \$1,398 million worth of Japanese goods, the bulk of which comprised iron and steel, road vehicles, specialized machinery for particular industries, and general machinery and equipment. In return, about \$1,201 million of Philippine commodities were sold to Japan consisting mostly of copper concentrates, iron ore agglomerates, logs, sugar and semi-conductor devices. Although Philippine trade with Japan still ended in a deficit of \$197 million, this was substantially lower than the previous year's \$467 million gap. Of the country's total imports and exports, 22.8 per cent and 26.1 per cent, respectively, were contributed by Japan.

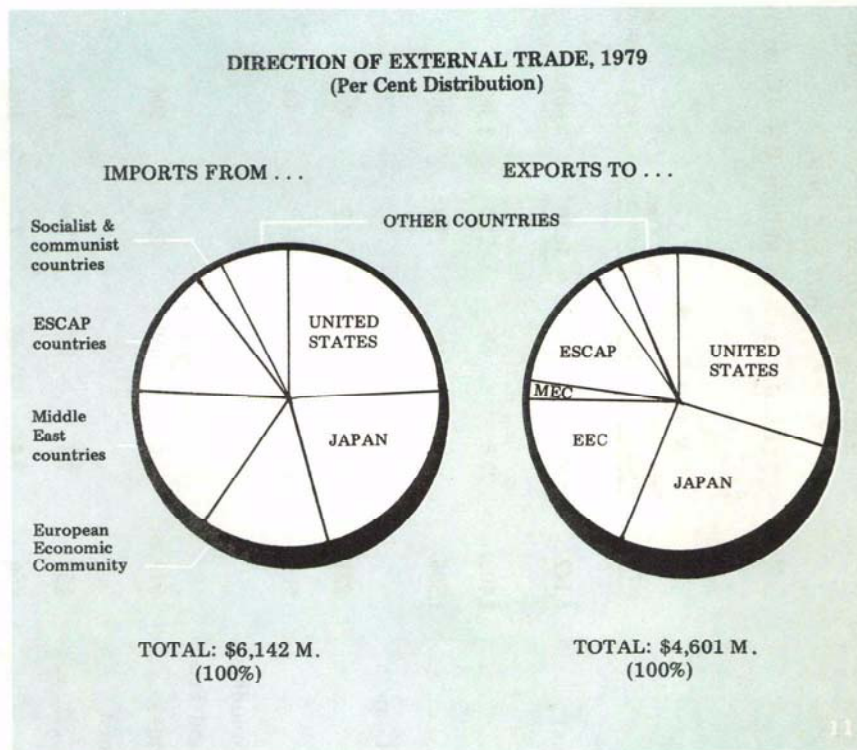
About \$1,782 million or 16.6 per cent of the country's foreign trade was accounted for by the European Economic Community (EEC). Trade with EEC increased by \$550 million or 44.6 per cent from 1978 and its surplus rose from \$36 million to \$80 million, as exports outpaced imports. The increase in the trade surplus was derived wholly from trade with the Netherlands and Denmark which gave the Philippines positive balances of \$262 million and \$1 million, respectively. Deficits were however, reflected in trade with the other member countries of EEC.

Imports from EEC amounted to \$851 million or 13.8 per cent of the country's total imports. The major purchases from this trade bloc were: specialized machinery for particular industries and road vehicles, the biggest suppliers of which were the United Kingdom, West Germany, France and Italy. Other significant arrivals from EEC were power generating machinery and equipment, and metal working machinery. The principal exports to this bloc were coconut products which were sold mostly to the Nether-

lands, West Germany and the United Kingdom; logs and lumber, with France as the major buyer; plywood, mainly to the United Kingdom and Belgium; and canned pineapple, which was bought mostly by the Netherlands and West Germany.

Trade with Middle East countries represented only \$1,025 million or 9.5 per cent of total Philippine foreign trade. However it reflected the biggest deficit of \$903 million among the Philippines' regional as well as individual country trade transactions. This stemmed mainly from trade with Saudi Arabia and Kuwait which registered deficits of \$348 million and \$280 million, respectively.

Imports from the Middle East consisting wholly of crude oil expanded from \$706 million in 1978 to \$964 million in 1979. Similarly exports to this bloc which consisted mainly of bananas, garments and Portland cement increased from \$58 million to \$61 million. Philippine trade with the Middle East accounted for 15.7 per cent of total imports for 1979 and only 1.3 per cent of total exports.



Some \$1,513 million or 14.1 per cent of total trade were transacted with countries of the Economic and Social Commission for Asia and the Pacific (ESCAP), excluding Japan, Iran, the Union of Soviet Socialist Republic (USSR) and the Peoples' Republic of China. This reflected a \$402 million or 36.2 per cent expansion from its level in the preceding year. However, the increment emanated largely from imports which registered a \$260 million or 39.5 per cent rise as against a \$142 million or 31.4 per cent

TABLE 32. — DIRECTION OF TRADE
1978 and 1979

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

	1979	I M P O R T S		Per Cent Distribution	1978	Per Cent Distribution	1979	E X P O R T S		Per Cent Distribution	1978	Per Cent Distribution	Balance of Trade	
		Per Cent Distribution	1978					Per Cent Distribution	1978				1979	1978
TOTAL (All countries)	6,142	100.0	4,732	100.0	4,601	100.0	3,425	100.0	— 1,541	— 1,307				
United States	1,402	22.8	996	21.0	1,384	30.1	1,156	33.8	— 18	160				
Japan	1,398	22.8	1,285	27.2	1,201	26.1	818	23.9	— 197	— 467				
European Economic Com- munity	851	13.8	598	12.7	931	20.3	634	18.5	80	36				
Middle East Countries	964	15.7	706	14.9	61	1.3	58	1.7	— 903	— 648				
ESCAP Countries (excluding Japan, Iran, USSR and Peo- ples' Republic of China)	919	15.0	659	13.9	594	12.9	452	13.2	— 325	— 207				
Socialist and Communist Countries	152	2.5	123	2.6	144	3.1	90	2.6	— 8	— 33				
Other Countries	456	7.4	365	7.7	286	6.2	217	6.3	— 170	— 148				

growth in exports. Except for trade with Thailand, Hongkong, South Korea, Srilanka and Pakistan, the Philippines' trade with the other ESCAP countries registered deficits

Of total ESCAP trade, \$552 million or 36.5 per cent were accounted for by the four member countries of the Association of South East Asian Nations (ASEAN). Imports from these countries were mostly mineral fuels, lubricants and related materials, with crude oil coming mostly from Indonesia and Malaysia and refined petroleum products coming from Singapore. Imports from Thailand were mainly feeding stuff for animals and textile fibers. On the other hand, exports to ASEAN were mostly raw coffee and semi-conductor devices to Singapore; and sugar, coconut products and rice to Indonesia, Malaysia and Singapore.

About \$961 million or 63.5 per cent of the ESCAP trade stemmed from non-ASEAN countries, the majority of which were contributed by Australia (19.8 per cent), Hongkong (20.6 per cent) and South Korea (15.3 per cent). The major arrivals from these countries were meat and meat preparations, and cereals and cereal preparations from Australia; manufactured fertilizers from South Korea; and textile yarns, fabrics and made-up articles from Hongkong. The main purchases of these countries from the Philippines were coconut products, logs and lumber and Portland cement.

Trade with the Socialist and Communist countries was valued at \$296 million or 2.8 per cent of total trade. Of the total amount, about 58.1 per cent was accounted for by the Peoples' Republic of China and 22.0 per cent by the USSR. Trade with this bloc ended in a deficit for the year in review as the negative balances incurred from the trade with the Peoples' Republic of China (\$69 million), Czechoslovakia (\$4 million) and Romania (\$7 million) could not be offset by the \$76 million surplus from trade with the USSR. Commodity arrivals from these countries consisted mostly of crude oil from China; and pharmaceutical and medicinal products as well as artificial resins and plastic materials from Romania. Shipments to these countries were made up largely of sugar and sugar preparations and coconut products the bulk of which were absorbed by the USSR and Mainland China.

Terms of Trade

For the second consecutive year, appreciable improvements were noted in the country's net terms of trade. Largely on account of favorable world market prices for most of the country's export products, the net terms of trade rose from 78.2 (1972=100) in 1978 to 81.6 in 1979.

Export price gains outpaced import price hikes, 22.9 per cent as against 17.7 per cent. Export commodities which showed significant price hikes were coconut oil, copper concentrates, logs, lumber, plywood, gold and desiccated coconut.

In spite of the improvement in the net terms of trade, the trade deficit widened by \$233 million to \$1,541 million during the

year. It would have been narrower, however, had the 9.3 per cent growth in the export quantum index not been negated by the 9.2 per cent advance in the import quantum index.

Nevertheless, the purchasing power of exports, which indicates the country's capacity to import based on the sale of exports, registered an increase from 119.3 per cent in 1978 to 136.1 per cent in 1979.

TABLE 33. — TRADE INDICES
1978 and 1979
(1972=100)

	<u>1979p/</u>	<u>1978</u>	<u>Per Cent Change</u>
EXPORTS (\$4,601M)			
Quantum	166.8	152.6	9.3
Price	236.1	192.1	22.9
Value	393.8	293.1	34.4
IMPORTS (\$6,142M)			
Quantum	153.8	140.9	9.2
Price	289.4	245.8	17.7
Value	445.2	346.3	28.6
NET TERMS OF TRADE	81.6	78.2	4.3
PURCHASING POWER OF EXPORTS	136.1	119.3	14.1

Foreign Exchange Market

International Reserve

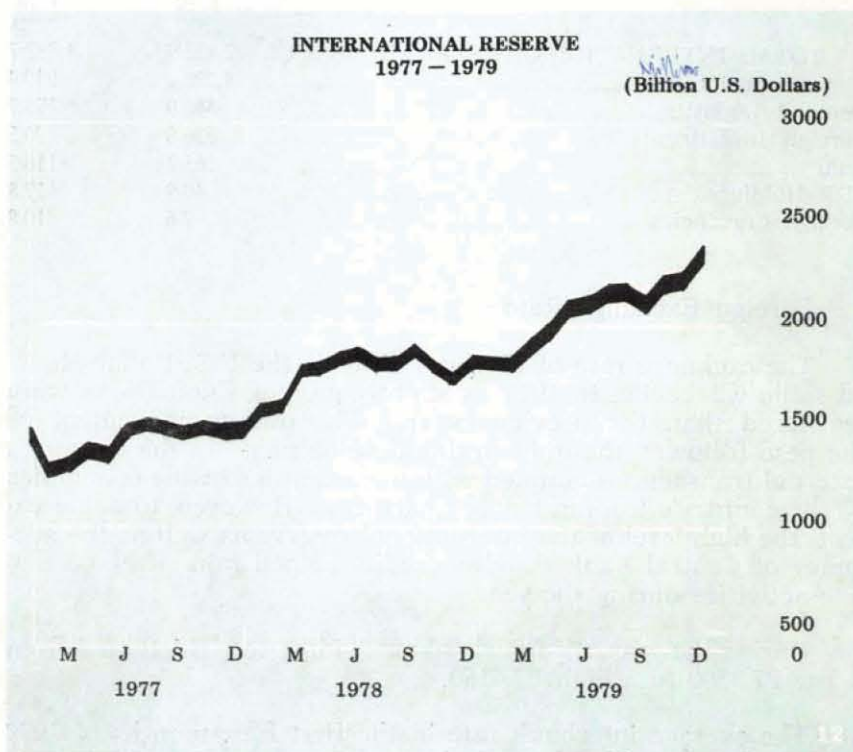
The country's international reserve grew appreciably in 1979 notwithstanding unfavorable developments in the external sector. From \$1,882.7 million at end-1978, the reserve moved up by \$540.2 million or 28.7 per cent to \$2,422.9 million at end-1979. At this level, the international reserve was sufficient to fund the equivalent of five months' imports based on import figures for 1979.

On a quarterly basis, the movement of the international reserve reflected a general upswing. After a modest rise of 3.5 per cent in the first quarter, the reserve rose further by 9.8 per cent in the second quarter mainly on account of heavy deposits by foreign banks including OBUs. In the third quarter, the reserve level advanced slightly by 0.6 per cent. The highest rate of growth was recorded in the fourth quarter when the reserve level accelerated by 12.6 per cent due to net availments of the Central Bank of about \$277.9 million on foreign borrowings.

In terms of composition, a little more than half (50.6 per cent) of the country's reserve totalling \$1,225.0 million were in time deposits. The 30.3 per cent rise in time deposits could have been influenced by the attractive interest rates that had prevailed in the financial market this year.

Foreign investments rose by only 6.7 per cent as against the 60.3 per cent increase posted in 1978 as the yields in foreign securities this year were not as competitive as those in the previous year. Value-wise, foreign investments totalled \$636.8 million or 26.3 per cent of the country's reserve level.

Demand deposit accounts of the Central Bank likewise improved their share from 10.6 per cent to 14.3 per cent or from \$198.7 million to \$346.9 million. Of the total demand deposit account, about 65.3 per cent were interest bearing while the difference of 34.7 per cent were used as working balances.



Gold holdings which started to pick up in mid-1978 as a result of the requirement that all primary gold produced in the country be delivered to the Central Bank for refining and subsequent sale to it, continued to grow in 1979. As of the end of the year, the value of gold accumulated by the Bank reached \$165.7 million, which was 39.8 per cent more than the previous year's holdings.

Similarly, holdings of SDRs, grew by 129.2 per cent to the equivalent of \$40.9 million as a consequence of the allocation of

additional SDRs by the International Monetary Fund this year. On the other hand, foreign currency holdings which were used to meet day to day transactions decreased by 29.6 per cent as a result of larger swap transactions.

The credit program of the Central Bank for 1979 included a credit line valued at \$525 million from a consortium of foreign banks and a \$500 million stand-by loan negotiated under the Consolidated Foreign Borrowings Program for 1979 (CFBP). However, during the year only \$267 million out of the entire CFBP loan were drawn by the Central Bank for relending purposes. At end-1979 total credit lines readily available for drawings stood at \$758 million.

TABLE 34. — INTERNATIONAL RESERVE OF THE PHILIPPINES
December 31, 1978 and 1979
(Million U.S. Dollars)

	1979	1978
TOTAL INTERNATIONAL RESERVE	2,422.9	1,882.7
Time Deposits	1,225.0	940.4
Demand Deposits	346.9	198.7
Foreign Investments	636.8	596.5
Gold	165.7	118.5
SDR Holdings	40.9	17.8
Foreign Currencies	7.6	10.8

Foreign Exchange Rate

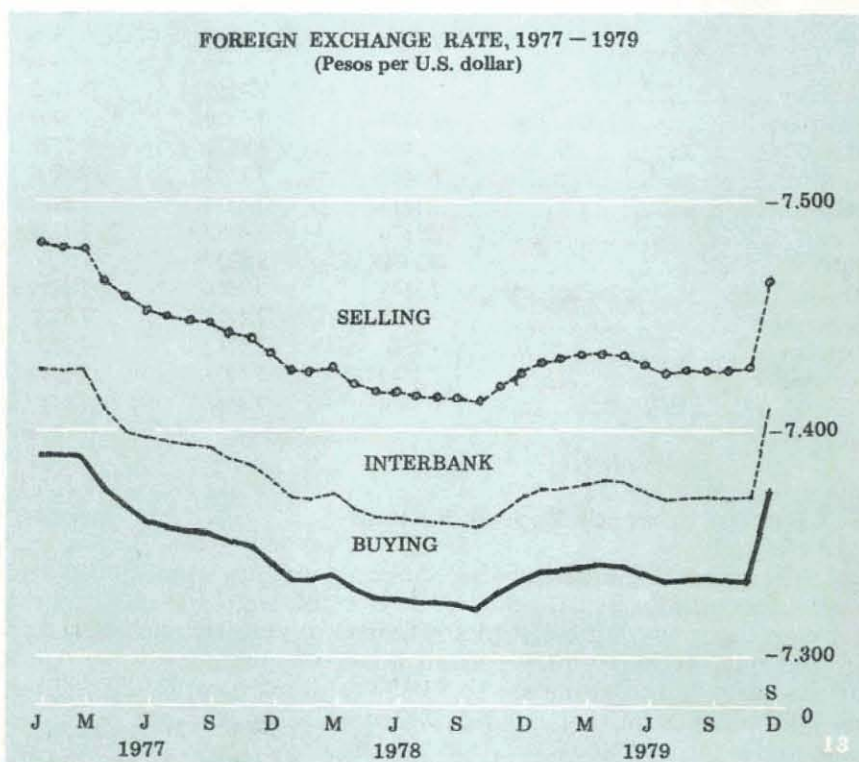
The exchange rate of the peso vis-a-vis the U.S. Dollar showed some weakening in 1979 as slightly greater fluctuations were registered than the previous year. The uneven movement of the peso followed the unfavorable developments in the country's external transactions coupled with uncertainties in the economies of the country's leading trading partners. However, to some extent, the high level of the international reserve as well as the adequacy of Central Bank standby credits helped minimize speculative activities during the year.

During the year, the interbank or guiding rate fluctuated from a low P7.3500 to a high P7.4150.

The average interbank rate in the first four months of 1979 was on the soft side, depreciating continuously from P7.3762 in January to P7.3796 in April. This downturn could be traced to the relatively large import payments made during the period. Starting May, the average interbank rate regained some strength as inflows of foreign funds were noted. In July, the average interbank rate hit P7.3706 after which it began to depreciate again. In September, the rate averaged P7.3722 on account of pressures caused by oil payments. After improving to P7.3709 in October, the average interbank rate softened once more, hitting P7.3718 in November and P7.4110 in December. The P0.0392 contraction in December was the biggest monthly depreciation recorded during the

year which could have been influenced by various factors such as debt servicing, payments for oil imports and pressures brought about by the holiday season. On an annual average basis, the rate in 1978 of ₱7.3658 was stronger than the ₱7.3775 posted in 1979.

Meanwhile, commercial buying and selling rates followed closely the movement established by the interbank rate. At the end of 1979, the buying and selling rates at ₱7.3779 and ₱7.4706, respectively, were weaker when compared to those prevailing at the end of 1978. Averages for the year were at ₱7.3406 for the buying rate and ₱7.4329 for the selling rate. Except in December when the spread between the average buying and selling rates widened to ₱0.0927 the spread between the average buying and selling rates throughout the year was maintained at ₱0.0923.



The value of transactions handled at the floor of the FOREX Trading Center in 1979 reached \$2,482.0 million — up by \$896.9 million or 56.6 per cent from the 1978 level. Reflective of the country's external transactions, trading was bullish during the second and third quarters as transactions averaged \$229.8 million and \$213.9 million, respectively. Business was weakest in the first quarter, averaging only \$189.5 million.

Commitments of the Central Bank under various swap transactions accelerated by \$168.5 million or 25.6 per cent to \$825.0 million this year. Of the total outstanding swap commitments: \$150.1 million or 18.1 per cent were swaps under Circular No. 343,

\$493.6 million or 59.8 per cent were swaps covered by Circular No. 547; \$175.4 million or 21.3 per cent were special dollar-peso swaps approved by the Monetary Board on a case-to-case basis, and \$5.9 million or 0.7 per cent were swaps governed by MAAB dated February 23, 1971 (sales of spot exchange against forward cover with a forward premium).

TABLE 35. — FOREIGN EXCHANGE RATE
1978—1979
(Pesos per U.S. Dollar)

	<u>Buying</u>	<u>Selling</u>	<u>Interbank</u>
1978 — Average	7.3290	7.4210	7.3658
1979 — Average	7.3406	7.4329	7.3775
January	7.3393	7.4315	7.3762
February	7.3398	7.4320	7.3767
March	7.3408	7.4330	7.3777
April	7.3427	7.4349	7.3796
May	7.3414	7.4336	7.3783
June	7.3370	7.4292	7.3739
July	7.3337	7.4259	7.3706
August	7.3348	7.4270	7.3717
September	7.3353	7.4275	7.3722
October	7.3340	7.4262	7.3709
November	7.3349	7.4271	7.3718
December	7.3739	7.4666	7.4110

Foreign Currency Deposit System

The gross resources of the Foreign Currency Deposit System rose substantially in 1979 due mainly to the aggressiveness of the Foreign Currency Deposit Units (FCDUs) in pooling deposits from in and out of the country. Total gross resources of the system at the close of the year rose to \$3,657 million from \$2,382 million in 1978 or an annual gain of \$1,275 million or 53.5 per cent.

In terms of deposits, the amount generated by the system reflected a yearly growth rate of 54.1 per cent, which at end-1979 totalled \$3,099 million. The bulk of these deposits were from the banking sector which accounted for \$2,267 million or 73.2 per cent of the total deposits of the FCDUs. Compared to 1978, deposits held by the FCDUs this year were higher by 57.9 per cent.

Of the total interbank deposits, 70.8 per cent were sourced from overseas banks while the remainder were placements by onshore banks. Among the foreign-based banks, the leading depositors were banks based in Singapore, the United Kingdom and the United States with deposits totalling \$564 million, \$254 million

and \$ 184 million respectively. Among the Philippine-based banks, Offshore Banking Units (OBUs) accounted for \$439 million — representing 66.2 per cent of total deposits obtained from within the country which have not been lent out.

The non-bank sector provided \$832 million or 26.9 per cent of the total deposits of the system. This was 44.7 per cent more than the deposits generated a year ago. Of the total non-bank deposits, 57.2 per cent were secured from within the country while 42.8 per cent emanated from outside sources. The deposits obtained onshore were mostly funds of multinational corporations operating in the country while the deposits coming from outside were funds of foreign corporations intended for the use of their subsidiaries in the country.

On the lending side, the total amount loaned out by the system as of end-1979 reached \$3,541 million — an increase of 52.6 per cent from the end-1978 level. By absorbing 58.0 per cent of the total loans granted by the system, the non-bank sector emerged as the principal user of the funds of the system. Borrowings by this sector, which posted an annual growth rate of 26.1 per cent, were entirely channeled to resident borrowers and were utilized to finance the foreign currency requirements of their existing projects and to some extent to liquidate loans previously acquired at more onerous terms.

The leading resident borrowers were the manufacturing and mining industries which accounted for 38.8 per cent and 20.0 per cent, respectively of the loans granted to the non-bank sector. Other large customers were the public utility; construction; agriculture, fishery and forestry, and services sectors.

TABLE 36. — PHILIPPINE FOREIGN CURRENCY DEPOSIT SYSTEM
Selected Data as of December 31, 1978 and 1979
(Million U.S. Dollars)

	1979	1978
GROSS RESOURCES	3,657	2,382
Deposits/Borrowings	3,099	2,011
a) Banks	2,267	1,436
b) Non-banks	832	575
Placements/Lendings	3,541	2,320
a) Banks	1,486	690
b) Non-banks	2,055	1,630
Earnings & Expenses		
a) Earnings	240	114
Onshore	208	98
Offshore	32	16
b) Expenses	230	105
c) Net Earnings		
After Income Tax	6	4

Borrowings by the banking sector amounting to \$1,486 million rose by more than double the figure of the previous year. The interbank lending pattern showed that overseas banks availed themselves of more borrowings, accounting for 55.7 per cent of total interbank loans against only 44.3 per cent for domestic banks. Among the foreign-based banks, those based in the United States were the most active borrowers absorbing \$592 million or 71.6 per cent of total interbank loans. Of the loans availed of by domestic banks, the largest share went to the Central Bank (\$294 million) followed by OBUs (\$144 million), FC-DUs (\$127 million) and other banks (\$94 million).

For this year, gross income of the Philippine Foreign Currency Deposit System totalled \$240 million which was more than twice the earnings realized a year ago. Of this year's income, \$208 million were from onshore transactions while \$32 million were from offshore transactions. Meanwhile, expenses incurred by the system for the same period increased from \$105 million last year to \$230 million this year. After taxes, net income of the system totalled \$6 million — up by 50.0 per cent from last year.

Offshore Banking System

During the year, three more foreign banks were given authority by the Monetary Board to engage in offshore banking activities in the Philippines. This increased to twenty-one the number of foreign banks allowed to operate offshore banking units (OBUs) in the country. However, as of end-1979, only seventeen OBUs were in actual operation as the rest were still in the organizational stage.

From \$1,987 million in 1978, the gross resources of the system soared to \$2,944 million in 1979, for an annual gain of \$957 million or 48.2 per cent. Unlike in 1978, when the underlying factor behind the rise in the resources of the system was the entry of new OBUs, this year's growth resulted mainly from a heavier volume of transactions.

To fund their operations, the OBUs were engaged actively in generating deposits/borrowings which at end-1979 amounted to \$2,831 million, up by \$891 million or 45.9 per cent from the level of the previous year. Except for about 2.0 per cent from the non-bank sector, deposits held by OBUs came from the banking sector.

Among banks, foreign-based banks were the biggest depositors with placements exceeding the previous year's level by 55.8 per cent to reach \$1,941 million. Nearly two-thirds of these deposits originated from banks based in Singapore (\$771 million), the United Kingdom (\$426 million) and the United States (\$170 million). The residual of 29.6 per cent was provided by other offshore banks based mostly in Europe.

The deposits of onshore banks likewise reflected an increase of 20.4 per cent from \$692 million in 1978 to \$833 million for the current period. The proportion of onshore deposits to total interbank deposits, however, receded from 35.7 per cent to 30.0

per cent as the OBUs concentrated on overseas banks for their fund requirements.

Of the domestic banks, the Central Bank was the largest depositor followed by Foreign Currency Deposit Units (FCDUs). The increase in deposits of the Central Bank by 30.7 per cent to \$575 million was influenced by factors such as market proximity and attractive interest yields. On the other hand, the 30.0 per cent expansion in deposits by the FCDUs may be traced to the highly liquid position of the latter.

The relatively fast generation of deposits by the OBUs was matched by their lending activities as demand for credit remained strong. At \$2,791 million, OBU lendings advanced substantially by \$876 million or 45.7 per cent. The banking sector remained the principal client with borrowings expanding by 22.3 per cent to \$1,854 million.

The interbank lending pattern showed that offshore-to-onshore transactions were more significant this year. About \$1,117 million or 60.2 per cent of the total loans granted were channeled to Philippine-based banks, which was 35.5 per cent larger than the year-ago level. The FCDUs and the Central Bank were the leading borrowers among the domestic banks, absorbing 80.1 per cent of the total interbank funds.

Loans to foreign-based banks moved up by 6.5 per cent to \$737 million. Out of this amount, a little more than three-fourths were channeled to Singapore, the United Kingdom and other Asian countries notably Hongkong. The uptrend in loans to offshore banks indicated the growing importance of the role played by the OBUs in providing funds for other countries especially those located in Asia.

The non-bank sector accounted for \$937 million or 33.6 per cent of the total loanable funds of the OBUs, representing an increase of 134.8 per cent over the previous year's borrowings. Of the total loans granted, 91.3 per cent were availed of by resident borrowers with 70.3 per cent funding private projects and 29.7 per cent, public projects.

Classified by industry, the biggest share of offshore-to-onshore funds went to the manufacturing, public utility and mining sectors in that order. Together, these accounted for ₱720 million or 84.2 per cent of the total loans granted to resident borrowers.

In 1979, the Philippine Offshore Banking System generated gross profits of \$222 million, which amount was more than three times the income realized in 1978. Of the total gross profits, \$155 million or 69.8 per cent were realized from offshore-to-offshore transactions and \$67 million or 30.2 per cent came from offshore-to-onshore transactions.

For the same period, total expenses incurred by the system hit \$208 million of which \$197 million represented interest payments and \$11 million were used to meet administrative costs and

other expenses. Net of taxes, income realized by the system for the year totalled \$12 million which compared favorably with the \$3 million earnings posted last year.

TABLE 37. — PHILIPPINE OFFSHORE BANKING SYSTEM
Selected Data as of December 31, 1978 and 1979
(Million U.S. Dollars)

	1979	1978
GROSS RESOURCES	2,944	1,987
Placements/Lendings	2,831	1,940
a) Banks	2,774	1,938
b) Non-banks	57	2
Deposits/Borrowings	2,791	1,915
a) Banks	1,854	1,516
b) Non-banks	937	399
Earnings & Expenses		
a) Earnings	222	169
Onshore	67	15
Offshore	155	55.0
b) Expenses	208	66
c) Net Earnings		
After Income Tax	12	3

Part Two

THE CENTRAL BANK IN 1979

SUPERVISION AND REGULATION OF FINANCIAL INSTITUTIONS

Supervision of Banks and Savings and Loan Associations

Opening of New Banks/Branches

For 1979, there were 1,249 new head offices and 2,035 additional branches, agencies and money shops established bringing the total number of banking units in operation to 3,284.

TABLE 38. — NUMBER OF FINANCIAL INSTITUTIONS IN OPERATION
UNDER THE SUPERVISION OF THE CENTRAL BANK
1978 and 1979

	1979	1978
TOTAL	3,284	2,488
Head Offices	1,249	1,174
Branches/Agencies/Extension Offices	2,035	1,814
Commercial Banks	1,405	1,286
Head Offices	32	32
Branches/Agencies/Extension Offices	1,373	1,254
Savings & Mortgage Banks	236	207
Head Offices	10	10
Branches/Agencies/Extension Offices	226	197
Development Banks	195	177
Head Offices	39	37
Branches/Agencies/Extension Offices	156	140
Rural Banks	1,123	1,029
Head Offices	1,002	931
Branches/Agencies/Extension Offices	121	98
Savings & Loan Associations	294	259
Head Offices	157	755
Branches/Agencies/Extension Offices	137	104
Land Bank of the Philippines	15	14
Head Offices	1	1
Branches/Agencies/Extension Offices	14	13
Philippine Amanah Bank	9	9
Head Offices	1	1
Branches/Agencies/Extension Offices	8	8
Building & Loan Associations	7	7

Examination

The number of bank offices of commercial banks, thrift banks, specialized banks, building and loan associations examined during the year totalled 1,119, higher by 11.3 per cent compared to the preceding year's record. These comprised 89 head offices of the aforementioned banks and 1,030 of their branches and other banking offices.

TABLE 39. — NUMBER OF BANKING OFFICES EXAMINED BY THE DEPARTMENT OF COMMERCIAL AND SAVINGS BANKS 1978 and 1979

	1979	1978	Increase
TOTAL	1,119	1,005	114
Commercial Banks	773	725	48
Savings and Mortgage Banks	167	126	41
Development Banks	156	133	23
Building and Loan Associations	7	7	—
Other Banking Institutions	16	14	2

A total of 1,023 examinations were also conducted on rural banks and savings and loan associations in 1979, broken down as follows:

Type of Examination	Total	Rural Banks	Savings and Loan Associations
Regular	606	543	63
Special	417	386	31
TOTAL	1,023	929	94

Regulation of Non-Bank Financial Intermediaries

The DFI (NB) continued to update and maintain the Central Bank directory of non-bank financial institutions which at the end of 1979 numbered 1,348 composed of 1,074 head offices and 274 branches. Those performing quasi-banking functions numbered 115, consisting of 26 head offices and 89 branches. Over a period of one year, the total of non-bank financial intermediaries in operation increased by 4 per cent.

To promote a sound and orderly operation of the non-bank financial sector, the Department of Financial Intermediaries (Non-Bank) conducted a total of 508 examinations during 1979. Forty nine (49) operational/regular examinations and twenty eight (28) special audits were made on non-bank financial firms engaged in quasi-banking functions. These examinations were undertaken mainly to determine the degree of compliance with existing rules and regulations, particularly on credit accommodations to DOSRAS and the monitoring of without recourse transactions of non-banks engaged in quasi-banking functions.

Regular examinations were conducted on 373 pawnshops in pursuance of Central Bank supervisory authority over pawnshops. Likewise, operational/regular and special examinations on head offices and subsidiaries and affiliates of other non-banks and other entities numbering 59 were undertaken by the Department.

Further, close monitoring of some institutions was undertaken by the Department with regular reports to higher management on such aspects as non-banks suffering from liquidity stress, operating with high leverage ratios or experiencing a fast turnover of key officials.

Coordination of Supervisory Policy and Regulations

In line with its function to systematically review and coordinate supervisory policy activities among the three operating departments within the Supervision and Examination Sector, the Office of Supervisory Policy and Regulations, in collaboration with other departments and government agencies, codified 261 issuances in 1979 which represented an increase of 10 per cent over the 235 issuances in 1978. Of the total number of Central Bank issuances in 1979, nearly 28 per cent pertained to supervision, 18 per cent to foreign operations and 10 per cent to domestic credit operations.

Salient among these policy issues were: the passage of various Central Bank circulars which include among others amendment of the guidelines on the establishment and operations of savings agencies by thrift banks and rural banks; issuance of guidelines on bond issues of non-bank financial intermediaries with quasi-banking functions; regulations governing acceptance of deposits and borrowings from the government; regulations on the treatment of matured and unclaimed deposits by banks and non-banks with quasi-banking functions; regulations governing the grant of authority to thrift banks to accept "NOW" accounts; draft bills amending PD 114 or "Pawnshop Regulations Act" and the issuance of Monetary Board Resolutions approving the National Home Mortgage Financing Corporation's exemption from quasi-banking rules relative to the issuance of Bahayan MPC's to commercial banks, thrift banks, non-bank financial intermediaries.

MANAGEMENT OF EXTERNAL ACCOUNTS

External Debt Management

The Central Bank's external debt policy in 1979 was generally aimed towards the continued inflow of foreign capital at levels necessary to sustain the country's development needs. Furthermore, in response to the changing conditions in the international capital markets such as the cost of funds, narrowing margins, and longer maturities, refinancing and restructuring operations were pursued during the year. Likewise, borrowings by the Central Bank under the Consolidated Foreign Borrowings Program were stepped up.

Outstanding foreign borrowings totalled \$9,617 million at year-end, an increase of \$1,616 million or 20 per cent over the end-1978 level. The bulk of these had been channeled to manufacturing, public utilities, mining and services.

Central Bank-approved foreign investments, allocated largely to manufacturing, domestic banks (due to the increased bank capitalization program), mining and commerce, amounted to \$1,176 million as of September 30, 1979 registering an increase of 27 per cent over the level of \$920 million of September 30, 1978.

In accordance with existing policy guidelines enunciated under various circulars, 3,143 applications from the private sector for the availment of foreign credits involving \$2,260 million were evaluated and processed during the year. Foreign loan proposals of the government sector processed totalled 252, an increase of 66 per cent over the 1978 figure of 152. This involved an amount of \$4,858 million.

In foreign investments, a total amount of \$203 million covered by 288 applications was processed. Applications for other related accounts such as remittances of profits, dividends, royalties, technical service fees and rentals numbering 366 were evaluated and processed in accordance with pertinent policy guidelines.

A total of 15,022 import applications and other related requests were processed for the private sector. As in the past, full support was extended to Government-approved projects/progressive manufacturing/industry rationalization programs in meeting their import requirements. Applications of government agencies/corporations for importations of machinery, equipment and spare parts totalled 685.

Regulations on Other Invisibles

To ensure the inflow of foreign exchange from all sources continued to be the underlying basis for the issuance of regulations on invisibles during 1979. In addition, more rigid examinations were conducted on firms listed for non-compliance of Central Bank regulations. Violations ranged from dollar salting, deliberate non-collection of receivables in foreign exchange, unauthorized deposits of the proceeds to Circular 343/547 dollar accounts with local and foreign banks, to non-surrender to the banking system of foreign exchange receipts from non-trade transactions. As a result, \$36.3 million which otherwise would have been salted abroad and/or kept in unauthorized dollar accounts were inwardly remitted.

Also during the year, regulations governing the outflow of foreign exchange arising from non-trade transactions were implemented. About 13,236 applications for outward remittances were processed in 1979 compared to 11,350 in 1978 — an increase of 16.6 per cent. Of this total, applications acted upon for travel funds numbered 5,556 reflecting a decrease of 195 applications or 3.4 per cent from the year previous total. Requests for remittances of royalty and technical service fees amounted to 180, a drop of 57.5 per cent. However, processing of requests for capital transfers increased from 393 in the previous year to 591 this year.

Import—Export Regulations

Import regulations in 1979 continued to be focused on the improvement in the pattern of imports consistent with the country's development program and balance of payments position. Measures were adopted and implemented to extend assistance to distressed local industries against unfair competition from imported goods. Importations of restricted items by tourist-oriented enterprises were also assessed to determine the basis for setting reasonable quantities of commodities to be imported by them. Several commodities were also reclassified for inclusion in the importable categories in the light of relevant economic developments.

Letters of credit opened during the year amounted to \$3,796.8 million, an increase of \$504.0 million or 15.3 per cent from the 1978 level of \$3,292.8 million. By category, essential producer goods dominated the bulk of L/C importation which at \$2,675.3 million represented 70.5 per cent of the total. The balance of 29.5 per cent was distributed among SEP (5.4 per cent), UP (4.0 per cent), EC (2.5 per cent) and others (12.2 per cent).

Promotion and growth were the main thrusts of export regulations and activities during 1979. In addition to simplifying the procedures governing non-traditional exports, the Central Bank modified its rediscount policy which led to a general in-

crease in financing available for exports, special incentives for the development of export-oriented, small scale/cottage industries, and to the eligibility of export services and construction contracts for Central Bank refinancing.

Foreign Exchange Investment Portfolio

The Central Bank's foreign exchange investment portfolio expanded from \$1,535 million in 1978 to \$1,984 million in 1979, an increase of \$449 million or 29.3 per cent in spite of heavy foreign exchange outflows, particularly for oil imports. This was largely brought about by the sizeable inflow of Deutsche Mark and Swiss Franc swap contracts with local commercial banks and proceeds of direct deposits of foreign banks.

Increased profitability and liquidity were the main factors considered in determining the composition of the portfolio during the year. Time deposits rose by \$185.4 million and accounted for 57 per cent of the total portfolio while the share of call deposits increased to 18 per cent from 7 per cent in 1978. Holdings of foreign securities which last year represented 18 per cent of total investments dropped to 15 per cent. By maturity structure, investments maturing within 90 days comprised 65 per cent of the portfolio as against 41 per cent at the end of 1978.

In terms of foreign currency assets, investments were closely aligned with developments in the foreign exchange market to safeguard the profitable convertibility of foreign currency holdings. Consequently, holdings of SFR, DM and the Japanese Yen registered increases while those of other major currencies were reduced.

Concomitantly, investment income rose to \$122.3 million, \$6.4 million or 5.5 per cent more than the preceding year's \$115.9 million. Factors responsible for the growth in earnings were the increased magnitude of investment, timely shifting of foreign currency holdings, prudent diversification of higher yielding assets, and management of the maturity structure of instruments in response to the rising trend in interest rates.

OPERATIONS AS FISCAL AGENT OF THE GOVERNMENT

Issuance and Placement of Government Securities

Authorized issues of government securities during 1979 totalled ₱12,728 million, consisting of new authorizations—₱5,022 million; unissued securities — ₱1,860 million; and previously authorized ceilings for regular and special series Treasury Bills — ₱5,846 million. Of total authorized issues, National Government obligations accounted for 70 per cent while Central Bank issues comprised 29 per cent. The residual of one (1) per cent were issued by government corporations.

Primary Sales of Securities

Government securities aggregating ₱11,306 million were sold through and by the Central Bank, ₱987 million or 9.6 per cent higher than last year's ₱10,319 million. Placements for the account of the National Government and government corporations amounted to ₱7,943 million while Central Bank Certificates of Indebtedness (CBCIs) reached a total of ₱3,463 million, representing 69.4 per cent and 30.6 per cent of the total issues, respectively.

Sales for the account of the National Government increased by 6.4 per cent to a total of ₱7,722 million over the previous year's level. Of the total volume, short-term regular and special series Treasury Bills accounted for ₱6,093 million or 78.9 per cent; medium-term Treasury Notes, ₱907 million or 11.7 per cent; and other securities (including long-term Treasury Notes), ₱722 million or 9.4 per cent. Meanwhile, Biglang Bahay Bonds worth ₱400 million were sold during the year.

Securities of government corporations sold during 1979 decreased by 41.5 per cent to ₱121 million when compared to the 1978 sales of ₱207 million.

The Central Bank sold a total of ₱3,463 million of CBCIs, comprising ₱3,435 million issued through auction sale and ₱28 million in over-the-counter transactions. Of the total authorized during the year, only ₱3,435 million was awarded at rates ranging from 13.0 per cent to 15.1 per cent or an average of 14.1 per cent. The 1979 sales performance was higher than the preceding year's volume by ₱701 million or 25.4 per cent. The public non-bank sector absorbed ₱2,064 million (59.6 per cent) while the banking system bought ₱1,246 million (36.0 per cent). The remaining ₱153 million or 4.4 per cent went to private non-bank investors.

Total issues during the year consisted of ₱8,059 million (71.3 per cent) of marketable securities and ₱3,247 million (28.7 per

cent) of non-marketable securities. Yields of marketable securities ranged from 9.0 to 15.2 per cent while those of non-marketable securities were from 3 to 7 per cent.

Outstanding Securities Issued through and by the Central Bank

As of the end of 1979, outstanding government securities issued through and by the Central Bank increased by 8.0 per cent to reach a level of ₱28,889 million. Total outstanding issues consisted of 56.8 per cent for the account of the National Government and government corporations while 43.2 per cent was for the Central Bank's own account.

Outstanding government securities floated through and by the Central Bank were sold at varying interest rates ranging from 6.955 per cent to 7.607 per cent. On the other hand, those issued for the account of the National Government and government corporations registered an interest rate pattern from 5.517 per cent to 5.628 per cent. Meanwhile, CBCIs were traded at interest rates ranging from 9.022 per cent to 10.211 per cent.

Of total outstanding government securities, 64.3 per cent were due for redemption within five years; 13.8 per cent within the range of over five years to fifteen years; and 21.9 per cent after fifteen years.

Debt Servicing

Government securities redeemed during 1979 aggregated ₱9,162 million, 23.7 per cent more than last year's ₱7,407 million. Redemptions consisted of ₱7,104 million of National Government and government corporations' obligations and ₱2,058 million of CBCIs. Of total redemptions, Treasury Bills accounted for ₱6,072 million or 66.3 per cent.

Interest payments amounted to ₱1,703.6 million, comprising interests due on National Government and government corporations securities (₱891.7 million) and CBCIs (₱811.9 million). Other servicing costs incurred totalling ₱323.6 million were: taxes on interest earnings on CBCIs, ₱304.1 million; prizes on winning Premyo Savings Bonds, ₱19.4 million; and interest expense on reverse R/Ps, ₱0.1 million.

Administration of Various Funds

Total resources of various funds under the administration of the Central Bank stood at ₱2,660 million as of end-December 1979, broken down as follows: Bond Sinking Funds, ₱2,140 million; Securities Stabilization Fund, ₱309 million; Industrial Guarantee and Loan Fund, ₱45 million; Special Guaranty Fund, ₱30 million; Reserve for Currency Insurance Fund, ₱80 million; Virginia Tobacco Trading and Loan Fund, ₱50 million; and NGA Special Accounts, ₱4.3 million. Fund resources were mostly in government securities.

Collection of Taxes

In the exercise of its functions as fiscal agent and banker of the Government, the Central Bank collected revenues totalling P19,843 million through authorized agent banks, an increase of 22.9 per cent over last year's collections. Of this total, P5,028 million came from customs duties; P14,075 million from internal revenue taxes; P737 million from the export-premium duty; P1.2 million from the stabilization tax; and P1.9 million from export fees and charges.

Remittances credited to the account of the National Treasurer amounted to P19,836 million, 22.7 per cent more than the previous year's P16,163 million.

Of the total customs duties collected during 1979, the bulk or 95.5 per cent represented collections in the Port of Manila and Manila International Airport; 3.3 per cent in Cebu; and the rest 1.3 per cent in Davao, Cagayan de Oro and Iloilo ports. Compared to the 1978 collections, the total customs intake of P5,027.9 million rose by 17.4 per cent.

Collections of internal revenue taxes through authorized agent banks grew from P11,420 million in 1978 to P14,075 million in 1979 or by 23 per cent due mainly to the intensified tax collection drive of the Government. Among the agent banks, commercial banks collected P10,423 million or 74.1 per cent; specialized banks, P2,310 million or 16.4 per cent; and thrift banks P1,342 million or 9.4 per cent. These banks improved their collections by P2,646 million as against the previous year's performance.

Total collections of export and premium duties during the year under review which amounted to P737 million likewise showed a marked improvement, increasing by 68 per cent over the preceding year's P438 million. This significant growth was traceable chiefly to increased receipts from traditional exports in view of favorable prices in the world market.

However, collections of the stabilization tax during the year decreased by 42 per cent to P1.2 million compared to the 1978 figure. Meanwhile, collections of export fees and charges during the last three months of 1979 totalled P1.9 million.

OTHER ACTIVITIES

National Savings for Progress Campaign

The banking system during 1979 registered a 12.1 per cent growth rate in the number of bank deposits and a 19.5 per cent increase in the total value of savings and time deposits. These deposits aggregated ₱41,286 million at the end of December 1979.

Savings deposits which accounted for the bulk or 67 per cent of total deposits amounted to ₱27,512 million. Time deposits, on the other hand, accounted for the remaining 33 per cent and aggregated ₱13,774 million. Annual growth rates of 20.2 per cent for savings deposits and 18.2 per cent for time deposits were thus registered.

The aforementioned developments were brought about partly by the following activities of the National Savings for Progress Campaign in 1979 to mobilize savings.

Advertising and Promotions

Ang Nag-Iimpok na Barangay Maunlad ang Pamumuhay, the slogan adopted in the previous year when the target audience of the advertising campaign was widened to include those in the rural areas, continued to serve as the slogan for the National Savings for Progress Campaign in 1979. Advertising efforts via the radio and cinema were focused on the countryside to reach the basic barangay unit.

Promotions materials were also used extensively during the year to gain goodwill and positive response to the campaign. A new full color film on savings was produced designed to increase the effectiveness of the Committee's on-field campaigns.

TIPID Movement

The TIPID Movement, the project designed to foster the habit of savings among schoolchildren, went into full gear in 1979. Seminars and three nationwide contests for schoolchildren were put up jointly with the Ministry of Education and Culture with the assistance of the banking system. The TIPID Movement School Incentive Award Program (TMSIAP) which was launched in 1978, culminated in the awarding of prizes to the winning schools with the most effective income generating projects last June 28, 1979 at the Central Bank Security Printing Plant Complex.

Barangay Savings Program

Continuing the implementing plans of this program which

was launched in 1978 as another phase of the national effort to encourage people to save in banks, the following activities were undertaken in 1979:

- a. Seminar-workshops held in Bacolod City and in the Central Bank participated by bank managers, provincial, city and municipal development officers, and Presidents of the associations of barangay captains for each municipality;
- b. Formal conferences with all bank managers in Batangas to discuss all the possible problems in the effective implementation of the Barangay Savings Program;
- c. Declaration of a Savings Consciousness Week by PD 1868 from June 25 to July 1, 1979 and sponsorship of the Concert in the Park which was telecast live to celebrate the sixth anniversary of the National Savings for Progress Campaign and
- d. Participation in National Conference of MEC officials and Barangay Leaders as part of the informational phase of the savings campaign.

Training Program/Technical Assistance

The Bank's all out support of the rural banking and savings and loan systems and its deep involvement in the Government's stepped up drive to promote exports and food production set the pace of the training and technical assistance activities in 1979.

The continuing growth in rural banking, emerging in part from the entry of 94 new rural banks in the system, gave rise to a number of training programs during the period.

The Bank conducted various training courses and co-sponsored workshop conferences in different places with an aggregate participation of 4,142 officers, technicians, and staff members of rural banks all over the country. Three (3) of these courses, designed to strengthen the staff structure and loan operations of rural banks, covered the training in staggered periods of 1,006 personnel in basic rural banking, 255 rural bank technicians in supervised farm credit and 233 staff members in the preparation of the annual plan and loan budget under the rural bank integrated agricultural financing scheme. At the executive level, the Bank undertook the training of 238 rural bank managers and officers in executive development and 812 rural bank directors on their duties and responsibilities. It also sponsored jointly with the Rural Banks Association of the Philippines six (6) management workshop conferences for 1,051 rural bankers in 5 regions of the country.

The holding of nine (9) separate sessions for the training of 246 Savings and Loan Associations (SLA) personnel in basic savings and loan operations, on the other hand, constituted the

Bank's response to the growing number of SLA institutions in the savings and loan system which registered a 13 1/2 per cent increase with the opening of 35 new SLAs during the year.

As part of the measures adopted in support of the Government's food and export development strategies, the Bank continued its on-going seminars on farm credit and programmed a series of special seminars in export financing for a total of 19 sessions for 427 commercial bankers and 298 exporters. Two training seminars involving 547 rural bank personnel conducted in 6 urban centers and at the UP-Los Baños — the Bakaang Barangay sponsored jointly by the Bank and the Ministry of Agriculture under the Livestock Loan Fund and the supervised credit under the Kambingang Barangay program — reflected in part the Bank's prominent involvement in the Government's protein food program.

The Bank's staff development program for the year involved, among others, the training of commercial bank and rural bank examiners in a series of basic, intermediate, and advanced bank examination courses and numerous in-house lectures and workshops for its officers and rank-and file. Notable among these were the lecture-series on special topics for technical personnel with distinguished authors and experts from international finance circles as resource persons and the specialized econometric workshop conducted jointly with the IMF Central Banking Service to boost the Bank's fledgling econometric unit's analysis and forecasting work. To keep abreast with current trends in banking and finance, the Bank sent abroad ten (10) of its officers in different fields of study. These included trading company operations in various Asian countries, general and overseas banking in the USA, development banking in Switzerland, investment market and development economics in Japan, small industry financing and management consultancy in India, and balance-of-payments methodology at the IMF Institute in Washington.

The sending of four (4) officials in the Course on the Use of Computers in Central Banking and two (2) officials in the Workshop for Directors of Research in member institutions of SEACEN, both at the SEACEN Research and Training Centre in Kuala Lumpur, Malaysia, highlighted the Bank's participation in the staff development and monetary policy program of central banks/monetary authorities of the SEACEN in 1979.

With its growing prominence in Southeast Asian monetary and financial affairs and its relation with selected Third World financial institutions, the Bank conducted 8 special sessions in rural banking for 28 participants from the Asian and Pacific Regional Agricultural Credit Association (APRACA), Sabah, Nepal and Thailand, and played host to eleven (11) foreign visitors/observers and trainees from banking institutions in Sri Lanka, Indonesia, Papua/New Guinea, Malaysia, Tanzania and Thailand who observed and studied the Bank's various areas of central banking operations

New Committees

In response to fast changing developments here and abroad, the Central Bank reconstituted/created/organized various committees to ensure effective formulation and efficient implementation of new and existing policies. Memberships in these committees were drawn from the different departments of the Bank and other government agencies. Representation from the private sector was also sought when appropriate.

Some of the significant committees created in 1979 were the following:

- a) Inter-agency Committee on Coordination of Financial and Economic Policies (MB Res. No. 220, January 26, 1979) — reconstituting the Inter-agency Committee on IMF-EFF composed of representatives of the Central Bank, Ministry of Finance, NEDA, BOI and Ministry of the Budget for purposes of coordinating and monitoring financial and economic policies/developments.
- b) Export Promotion Coordinating Committee (MB Res. No. 969 May 25, 1979) — to help develop and promote the export industry, more particularly those in the small and medium level, to see to it that the advances for export financing made available by the Central Bank under the Export Promotion Program are properly utilized to increase export trade and to evaluate and monitor the results of the Program in terms of the growth of the export industry.
- c) Inter-agency Committee to monitor compliance with the conditions of the approval of the Fairchild Camera and Instruments Corp's "Open Intercompany Accounting System" (MB Res. No. 1551, August 24, 1979) — to be constituted of representatives from the Central Bank, BOI, EPZA, SEC, BIR and the Technology Research Center.
- d) Inter-agency Committee to handle the monitoring, reporting and taking of appropriate actions on foreign exchange transactions of BOI-registered firms under R.A. 6135 and R.A. 5186 (MB Res. No. 1580, August 31, 1979).
- e) Joint IMF-CBP Banking Survey Commission (MB Res. No. 1605, August 31, 1979) — charged with the responsibility of coordinating with the Joint IMF-World Bank Mission on the report on aspects of the Philippine financial sector, and proposals arising therefrom.
- f) CB-SEC Coordinating Committee (MB Res. NO 1684, September 14, 1979) — to provide a continuing and permanent mechanism for the proper enforcement of joint responsibilities over financial intermediaries.
- g) Joint NEDA-CB-MOF Committee on Credit and Interest Rate Policy (MB Res. No. 2048, November 16, 1979) — reactivated and reconstituted for the purpose of conducting a review of the interest rate policy and structure with a view to having them con-

tribute the possible reorganization of the Philippine financial system.

Currency Issue and Clearing

As of December 1979, the gross currency issue of the Central Bank reached P14,660.8 million, up by 29.8 per cent from the comparable level of P11,297.2 million in 1978. Minus the cash in vaults, cash-held-in-trust with PNB Branches and Agencies, and cash subject to verification totalling P4,085.5 million, the net currency liability of the Bank amounted to P10,575.3 million, or 14.5 per cent higher than the P9,234.3 million registered in the previous year.

Notes of the "Ang Bagong Lipunan" series of various denominations accounted for 94.7 per cent or P10,016.2 million of the currency issue. The rest of the currency were in coins of the same series which, inclusive of IMF-IBRD gold coins, CB, and Commemorative coins, aggregated P559.1 million.

During 1979, local shipments of currency handled to service provincial requirements rose to P1,923.7 million for incoming and P1,287.2 million for outgoing for an increase of nearly 70 per cent and more than 50 per cent above the respective levels in 1978.

For the same period, mutilated-perforated notes retired by burning totalled 161.5 million pieces worth P2,238.4 million while demonetized coins reached 138.3 million with a corresponding face value of nearly P36.0 million.

The opening of the clearing units in Batangas and Dumaguete in February 19 and May 7, 1979, respectively, increased the number of the clearing units of the Bank to nineteen. Through these clearing units a total of 42.6 million checks worth P871.4 billion were cleared. Compared to the number of checks cleared in 1978, the volume increased by 3.4 per cent and the corresponding value went up by 29.8 per cent.

Gold Refinery and Mint

A significant event for the Central Bank Gold Refinery and Mint in 1979 was its formal recognition as an Acceptable Melter and Assayer of gold by the London Gold Market in September; this aligned the Philippines with 16 other countries in the world accredited as producers of "good delivery" bars.

For 1979, the Refinery produced 212,615.724 ounces of refined gold and 56,748.512 ounces of refined silver—both assaying 99.99 per cent—which represented marked increases of 195 per cent and 134.5 per cent, respectively, above 1978 levels. During the same period, however, there was a decrease in the number of raw bullions processed from 608 bars a year ago to 591 bars despite of the steady increase in the price of gold.

In compliance with Circular No. 602 making available high purity gold grains for sale to local jewelers and other industrial

gold users, the Refinery delivered to the Cash Department 11,173 .024 ounces of gold. Similarly, in response to industrial demand for silver the Plant sold 1,998.611 ounces of silver to qualified buyers.

The Mint also produced 219.2 million coins, an increase of 74.8 per cent over the 1978 output. Of this volume, the Plant delivered to the Cash Department through the Currency Stock Committee, 217.1 million coins of varied denominations with a face value of P41.9 million.

Security Printing Plant

Full operational status was attained by the Security Printing Plant with the production of MICR-encoded checks starting in February 1979. For the year, 51.7 million MICR-encoded checks were printed and delivered to the Cash Department in addition to the 3.3 million special checks and 1.2 million other security instruments.

The Plant also produced 201 million pieces of bank notes with a corresponding face value of P4,540 million. Of this, 18 million pieces represented the undelivered portion of the 1978 order; 170 million pieces constituted the 1979 order and 13 million pieces formed part of the 1980 order of the Cash Department. In addition, the Plant processed and delivered 336 million pieces of 2-Piso De La Rue Notes.

Regional Operations

Cash and Banking Operations

For 1979, the Central Bank regional offices and the sub-regional office in Tacloban reported total receipts of P4,299 million exceeding the disbursements of P3,954 million by P345 million.

Cash deposits received from branches of commercial banks and rural banks reached P2,988 million, up by nearly 30 per cent from the P2,299 million deposit in 1978. Likewise, cash withdrawals against demand deposit accounts of these branches rose to P2,768 million up by 15 per cent. Similarly, foreign currency purchases from various sources amounted to \$2,183 thousand or a net annual increase of \$399 thousand. Cash requisitions from the Cash Department, Manila and Cebu Regional Office reached P1,318 million. The mutilated-perforated currency notes shipped to the Cash Department were worth P692 million while the demonetized coins of the English series of 1975 were valued at P3 million for an increase of P45 million and P1.6 million respectively.

Rediscounting Operations.

During the year, 300 rural banks under the Central Bank Regional Offices availed themselves of rediscounts in the amount of P745 million or an annual increase of 35 per cent. Of this, 64.6 per cent went to supervised credit; 35.2 per cent to non-supervised credit; and 0.2 per cent to restructured loans.

Securities Marketing and Servicing

Sales of government securities went up markedly by 57 per cent to P3.5 million while sales of Premyo Savings Bond dropped by 76.7 per cent to P622 thousand. Government securities and bonds encashed reached P4.14 million.

Clearing Operations

For 1979, 7 million checks — worth P56,406 million were cleared by the Central Bank Regional Clearing Units. Of the total exchanges, Cebu accounted for 75 per cent; Davao, 14 per cent; Tacloban, 7 per cent; and La Union, 4 per cent.

FINANCIAL CONDITION OF THE CENTRAL BANK

The total assets of the Central Bank reached ₱50,970 million on December 31, 1979, ₱12,612 million or nearly 33 per cent more than in the prior year. For the most part the increase reflected the growth of loans and advances by ₱6,103 million and the international reserve by ₱4,040 million which pushed the year-end levels of these asset accounts to ₱18,955 million and ₱18,146 million, respectively. Together comprising 73 per cent of the total, loans and advances and the international reserve thus continued to account for the major proportion of the Bank's assets. Meanwhile, holdings of domestic securities — principally, Philippine Treasury Notes and Bonds — went up by ₱100 million to ₱4,971 million; and the book value of Bank Premises and other Fixed Assets rose by ₱127 million to ₱1,768 million.

The total liabilities of the Bank likewise increased by ₱12,341 million to ₱50,288 million as of the end of 1979. Currency issue, deposits of various banking institutions with the Central Bank, foreign loans payable, allocation of special drawing rights and Central Bank Certificates of Indebtedness (CBCIs) recorded notable increments.

Total currency issue aggregated ₱10,575 million, up by 14 per cent from end-1978. This was composed of 94 per cent notes and 6 per cent in coins compared to the 92 per cent and 8 per cent relative composition in 1978.

Deposits with the Central Bank climbed by 60 per cent or some ₱6,700 million to ₱17,800 million, which was equivalent to 35 per cent of the Bank's liabilities. Chiefly owing to a larger deposit base, statutory reserves of commercial banks, savings and mortgage banks, private development banks and savings and loan associations moved up to ₱4,512 million or by ₱1,467 million from December 31, 1978. Moreover, foreign currency deposits of banks with the Central Bank rose sharply by ₱4,613 million from ₱920 million at the end of 1978 to ₱5,533 million this year. The use of Fund credits also resulted in deposit liabilities to the International Monetary Fund amounting to ₱5,132 million, ₱850 million more than at the end of 1978.

Foreign loans payable increased by 45 per cent from ₱5,158 million to ₱7,457 million. This was accounted for mainly by Central Bank borrowings under P.D. 1309 which consolidated special borrowing and lending operations in the Central Bank, availments under the IMF Trust Fund Agreement, as well as loans under the oil financing scheme.

The allocation of Special Drawing Rights to the Philippines, which represents a dormant liability of the Bank to the International Monetary Fund, rose from 51,495 thousand SDRs to

73,335 thousand SDRs at the end of 1979, equivalent in peso terms to an increase from P444 million to P658 million over the year.

TABLE 40. — COMPARATIVE STATEMENT OF CONDITION
OF THE CENTRAL BANK
December 31, 1978 and 1979
(Million Pesos)

	1979	1978	Increase or Decrease (—)
ASSETS:			
International Reserve	18,146.0	14,106.2	4,039.8
Domestic Securities	4,971.3	4,871.7	99.6
Loans and Advances	18,955.3	12,852.1	6,103.2
Special Account—Foreign Exchange Differentials	638.3	520.6	117.7
Account to Secure Coinage	—	34.5	(34.5)
Government Note-Treasury Certificate Account	27.3	27.3	—
Monetary Adjustment Account	3,712.3	2,349.4	1,362.9
Bank Premises and other Fixed Assets	1,767.9	1,641.2	126.7
Other Assets	2,751.8	1,955.0	796.8
TOTAL ASSETS	50,970.2	38,358.0	12,612.2
LIABILITIES:			
Currency Issue	10,575.3	9,234.3	1,341.0
Demand Deposit	17,799.8	11,099.1	6,700.7
Banking Institutions	10,075.7	3,990.6	6,085.1
National Government	2,110.6	2,668.7	(558.1)
International Monetary Fund	5,132.3	4,282.1	850.2
Other Deposits	481.2	157.7	323.5
Foreign Loans Payable	7,457.1	5,157.9	2,299.2
Allocation of Special Drawing Rights ..	657.8	444.4	213.4
CB Certificates of Indebtedness	11,940.7	9,907.4	2,033.3
CB Certificates of Indebtedness — Foreign Currency	532.6	1,161.2	(628.6)
Revaluation of International Reserve	193.0	193.0	—
Other Liabilities	1,131.5	749.4	382.1
Total Liabilities	50,287.9	37,946.7	12,341.2
NET WORTH:			
Capital	10.0	10.0	—
Surplus	312.3	307.9	4.4
Reserve for Currency Insurance	80.0	65.9	14.1
Reserve for Refund of Margin Fee	0.3	0.3	—
Undivided Profits	279.7	27.2	252.5
Total Net Worth	682.3	411.3	271.3
TOTAL LIABILITIES AND NET WORTH	50,970.2	38,358.0	12,612.2

Central Bank outstanding liability on account of CBCIs issued amounted to P12,474 million which can be broken down into P11,941 million in domestic currency issue and P533 million in foreign currency issue. This exceeded the correspond-

ing 1978 level by 133 per cent, wholly accounted for by the expansion in peso-denominated CBCIs.

The Bank ended its 1979 operations with a net worth of P682 million, P271 million more than at year-end 1978. While the capital of the Bank remained unchanged at P10 million, profits from this year's operations boosted net worth by P252 million.

APPENDICES

PROCLAMATIONS

MALACAÑANG, MANILA

PROCLAMATION NO. 1837

DECLARING APRIL 24 TO 30, 1979
AND EVERY YEAR THEREAFTER AS
CREDIT CONSCIOUSNESS WEEK

WHEREAS, in order to accelerate rural development and growth, and to generate resources through effective financial intermediation and sound lending operations, a National Commission on Countryside Credit and Collection was constituted to take charge of strengthening and rationalizing the country's rural credit system;

WHEREAS, in the pursuit of the objectives for which the National Commission on Countryside Credit and Collection was constituted, it is necessary to inculcate in the minds of the citizenry the importance of credit insofar as it relates to the country's economic development.

WHEREAS, the inculcation in the minds of the citizenry of the importance of credit can only be effected through a continuing campaign that will involve all sectors of society as well as all levels of the Government — national, provincial, city, municipality and barangay;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, do hereby declare the period from April 24 to 30, 1979 and every year thereafter, as "Credit Consciousness Week" and hereby direct the National Commission on Countryside Credit and Collection constituted under Executive Order No. 465, dated April 28, 1976, to undertake all such measures as may be necessary to ensure the successful observance thereof and I enjoin all sectors of our society and all levels of the Government — national, provincial, city, municipality, and barangay — to extend their full cooperation thereto.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Republic of the Philippines to be affixed.

DONE in the City of Manila this 30th day of March, in the year of Our Lord, nineteen hundred and seventy-nine.

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

By the President:

(SGD.) JUAN C. TUVERA
Presidential Assistant

PROCLAMATION NO. 1861

ANNOUNCING THE EFFECTIVITY OF THE REVISED MINIMUM
QUARTERLY GROSS RECEIPTS FOR PURPOSES OF THE
PERCENTAGE TAX ON COMMON CARRIERS AND KEEP-
ERS OF GARAGES UNDER SECTION 207 OF THE NA-
TIONAL INTERNAL REVENUE CODE, AS AMENDED.

WHEREAS, Section 26 of Presidential Decree No. 1457 amend-
ed Section 207 of the National Internal Revenue Code by revising
the minimum quarterly gross receipts for purposes of computing the
two *per centum* percentage tax on common carriers;

WHEREAS, under Section 26 thereof, the amendments shall
become effective only upon the order of the President taking into
account the authorized increased rates of transportation fares collect-
ible by common carriers;

WHEREAS, considering that the general transportation fare
increase by common carriers as authorized since March 24, 1979
has rendered obsolete the present minimum gross receipts for com-
mon carrier's tax purposes and therefore necessitates the adjustment
of the level of the said presumptive minimum gross receipts commensurate with the latest authorized increases in transportation fares;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President
of the Philippines, by virtue of the powers vested in me by Section
26, Presidential Decree No. 1457, do hereby proclaim the applicability of the minimum quarterly gross receipts prescribed under Section 207, as amended by the said Presidential Decree, for purposes of computing the two *per centum* tax on common carriers and keepers of garages.

IN WITNESS WHEREOF, I have hereunto set my hand and
caused the seal of the Republic of the Philippines to be affixed.

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

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

[SEAL]

By the President:

(Sgd.) JACOBO C. CLAVE
Presidential Executive Assistant

PRESIDENTIAL DECREES

MALACAÑANG, MANILA

PRESIDENTIAL DECREE NO. 1623

AUTHORIZING THE ISSUANCE OF SPECIAL INVESTORS
RESIDENT VISAS TO ALIENS AND FOR OTHER PURPOSES

WHEREAS, tourism and attraction of foreign investments into the Philippines are two of the government's prime target areas in its move towards the improvement of the Philippine economy;

WHEREAS, there are still a number of economically depressed areas in the country suitable for international tourism, which have not been adequately exploited, developed and attended to whether by the government or by the private sector;

WHEREAS, studies and researches conducted by governmental agencies reveal that among the major obstacles in the realization of optimum benefits from the governmental programs of tourism and foreign investment attraction are the stringent provisions of immigration laws, rules and procedure; which serve as deterrent to alien investors wishing to make the Philippines their second home;

WHEREAS, it is felt that selective relaxation of immigration laws to accommodate alien investors who are willing to, and do in fact, invest substantially in preferred depressed areas would go a long way towards infusing additional foreign exchange receipts to the Philippines, encourage new constructions and real estate development, generate more employment and income opportunities for the masses, in keeping with the escalating demands of our people for the basic essentials that make for comfortable existence.

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. Under the conditions set forth in this Decree, there may be issued Special Investors Resident visas to aliens who are able to prove that they possess the following qualifications:

1. He had not been convicted of a crime involving moral turpitude;
2. He is not afflicted with any loathsome, dangerous or contagious disease;
3. He has not been institutionalized for any mental disability;

4. He is willing and able to invest a substantial amount in an economically depressed priority area, as the same may be declared by the Office of the President of the Philippines; provided, however, that for puposes of compliance with this particular condition, the alien applicant should prove that he has remitted in acceptable foreign currency, an amount of not less than US\$200,000 for the purpose of direct investment into the economically depressed area to which he is assigned;

Sec. 2. The same visa shall be issued to the spouse and unmarried children of the applicant, if accompanying him or if following to join him after his admission into the Philippines as special investor resident;

Sec. 3. As holder of the Special Investors Resident Visa, an alien shall be entitled to reside in the Philippines while investment subsists. Should said alien, however, withdraw the said investment from the Philippines, or transfer his investment to any other area within the Philippines without prior approval from the Office of the President, then the Special Investors Resident Visa issued to him may be revoked by the Philippine Government;

Sec. 4. Any provision of existing general or special laws inconsistent with the provisions of this Decree shall be considered modified, amended, or repealed accordingly.

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

(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. 1628

TO AMEND THE SECOND PARAGRAPH OF SECTION 104 AND
TO MODIFY THE RATES OF DUTY ON CERTAIN IMPORTED
ARTICLES PROVIDED UNDER PRESIDENTIAL DECREE NO. 1464,
OTHERWISE KNOWN AS THE TARIFF AND CUSTOMS CODE OF 1978.

WHEREAS, the level of prices of imported essential raw materials and other intermediate inputs of the food processing industries

are projected to increase due to the rise in the prices of oil and other forms of energy;

WHEREAS, it is necessary to keep to the minimum level the prices of essential consumer goods in order to make these goods available to the general mass of consumers;

WHEREAS, the promotion of Philippine exports of food products is an important factor to a vigorous development of the food processing industry geared towards the domestic and international market;

WHEREAS, it is necessary to effect immediate modification in the rates and/or classification in the tariff schedules concerning certain articles of the food processing industry in order to meet any contingency caused by the increase in the price of oil;

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 as follows:

SECTION 1. The provisions of the second paragraph of Section 104 of the Tariff and Customs Code of 1978 is hereby amended to read as follows:

“Sec. 104. * * *

There shall be levied, collected, and paid upon all imported articles the rates of duty indicated in the Schedule under this section except as otherwise specifically provided for in this Code: *Provided, That*, the maximum rate shall not exceed one hundred *per cent ad valorem*.

SEC. 2. The articles classified in the headings and subheadings under Section 104 of Presidential Decree Numbered Fourteen Hundred and Sixty-Four, specifically listed in Annex “A” of this Decree, shall pay the rates of import duty indicated opposite each.

SEC. 3. This Decree shall take effect thirty (30) days after its publication.

Done in the City of Manila, this 11th day of July, in the year of Our Lord, nineteen hundred and seventy-nine.

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

By the President:
(Sgd.) JACOBO C. CLAVE
Presidential Executive Assistant

I.—FOOD PROCESSING INDUSTRY

Tariff Heading No.	Description of Articles	Rate of Duty	
		Present	Recommended
02.01	Meat and edible offals of the animals falling within heading No. 01.01, 01.02, 01.03, or 01.04, fresh, chilled or frozen ... ad val.		[10%] 5%
02.02	Dead poultry (that is to say, fowls, ducks, geese, turkeys and guinea fowls) and edible offals thereof (except liver), fresh, chilled or frozen A. ARTICLES NOT INCLUDED IN SUB-HEADING B HEREOF B. CHICKEN AND DUCKS	Unified rate of [... ad val. 70%] AD VAL. 30% AD VAL. 50%	
02.03	Poultry liver, fresh, chilled, frozen salted or in brine	ad val. [70%]	50%
02.04	Other meat and edible meat offals, fresh, chilled or frozen	ad val. [70%]	50%
02.06	Meat and edible meat offals (except poultry liver), salted, in brine, dried or smoked	ad val. [100%]	50%
04.01	Milk and cream, fresh, not concentrated or sweetened	ad val. [30%]	20%
05.04	Guts, bladders and stomachs of animals, (other than fish), whole and pieces thereof	ad val. [50%]	30%
07.04	Dried, dehydrated or evaporated vegetables, whole, cut, sliced, broken or in powder, but not further prepared	ad val. [70%]	50%
07.05	Dried leguminous vegetables, shelled, whether or not skinned or split: A. White beans, green peas and chick peas in bulk container exceeding 45 kgs. gross weight B. Other	ad val. [20%] ad val. [50%] ad val. [70%]	5% 30% 50%
09.02	Tea		
09.04	Pepper of the genus "Piper"; pimento of the genus "Capsicum" or the genus "Pimenta", A. WHITE PEPPER B. OTHER	Unified rate of [... ad val. 50%] ad val. [20%] AD VAL. 40%	
11.08	Starches; Inulin A. Inulin B. Other	Unified rate of ad val. [20%] ad val. 30% ad val. 70%	
15.07	Fixed vegetable oils, fluid or solid, crude, refined or purified: A. Linseed, soya bean, palm, tung and oiticica B. Other	ad val. [20%] ad val. [50%]	10% 40%
15.12	Animal or vegetable oils and fats, wholly or partly hydrogenated or solidified or hardened by any other process, whether or not refined nor further prepared	ad val. [70%]	50%
16.04	Prepared or preserved fish, including caviar and caviar substitutes: A. * * *		

Tariff Heading No.	Description of Articles	Rate of Duty	
		Present	Recommended
16.05	B. Other	ad val. [70%]	50%
	Crustaceans and mollusks, prepared or preserved:		
	A. * * *		
18.01	B. Other	ad val. [70%]	50%
	Cocoa beans, whole or broken, raw or roasted	ad val. [50%]	30%
19.01	Malt extract	ad val. [30%]	30%
19.02	Preparations of flour, meal, starch or malt extract of a kind used as infant food or for dietetic or culinary purposes, containing less than 50% by weight of cocoa	ad val. [30%]	20%
20.01	Vegetables and fruits, prepared or preserved by vinegar or acetic acid, with or without sugar, whether or not containing salt, spices or mustard	ad val. [100%]	50%
20.02	Vegetable prepared or preserved otherwise than by vinegar or acetic acid:		
	A. Tomato paste	ad val. [20%]	10%
	B. Other	ad val. [100%]	50%
20.07	Fruit juices (including grape must) and vegetable juices, whether or not containing added sugar, but unfermented and not containing spirit:		
	A. Concentrates	ad val. [30%]	20%
	B. Other	ad val. [100%]	50%
21.02	Extracts, essences or concentrates, of coffee, tea or mate; preparations with a basis of those extracts, essences or concentrates	ad val. [100%]	50%
21.03	Mustard flour and prepared mustard	ad val. [100%]	50%
21.04	Sauces; mixed condiments and mixed seasonings	ad val. [100%]	50%
21.07	Food preparations not elsewhere specified or included:		
	A. Non-alcoholic composite concentrates for making beverages; cheese flavoring powder	ad val. [30%]	20%
	B. Other	ad val. [100%]	50%
70.10	Carboys, bottles, jars, pots, tubular containers and similar containers, of glass, of a kind commonly used for the conveyance or packing of goods; stoppers and other closures, of glass:		
	A. * * *		
	B. GLASS JARS FOR BABY FOOD....	AD VAL. [50%]	40%
[B]	C. Other	AD VAL. [50%]	40%
73.13	Sheets and plates, of iron and steel, hot-rolled or cold-rolled:		
	A. * * *		
	1. * * *		
	2. * * *		
73.13	B. Coated or plated:		
	1. * * *		
	2. Tinplates; chromeplated sheets: galvanized sheets with gauges from 16 to 36 USSG	Unified rate of [ad val. 50%]	

Tariff Heading No.	Description of Articles	Present	Rate of Duty Recommended
	a. TINPLATES WHEN IMPORTED DIRECTLY BY FOOD PROCES- SORS UPON PRIOR AUTHOR- IZATION OF THE IRON AND STEEL AUTHORITY		AD VAL. FREE
	b. OTHER		AD VAL. 40%
76.04	Aluminum foil (whether or not embos- sed, cut to shape, perforated, coated, printed, or backed with paper or other reinforcing material), of a thickness (excluding any backing) not exceeding 0.20 mm	[ad val. 30%]	
	A. ALUMINUM REINFORCED PAPER PACKING MATERIAL	AD VAL.	10%
	B. OTHER	AD VAL.	20%

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PRESIDENTIAL DECREE NO. 1633

AMENDING REPUBLIC ACT NO. 6173 AS AMENDED FOR THE PURPOSE OF CLARIFYING THE PROCEDURAL AND OTHER REQUIREMENTS UNDER SECTION 17 THEREOF IN RELATION TO PAYMENTS TO THE SPECIAL FUND CREATED UNDER 8(J) OF THE SAME, AND FOR OTHER PURPOSES.

WHEREAS, under Section 8(j) of Republic Act No. 6173 as amended, a Special Fund was created to be utilized for the development of energy sources, to subsidize the importation of crude oil and refined petroleum products, as well as to finance social and economic projects as determined by the President of the Philippines;

WHEREAS, under Section 17 of the same Act as amended, the Oil Industry Commission, now the Board of Energy, was empowered to require through an appropriate Order, payment to the Special Fund in an amount not exceeding ₱0.15 per liter of refined petroleum product;

WHEREAS, in order to obviate any doubt and possible misinterpretations of the said Section 17 and of the whole Act, it is necessary to clarify the necessary requirements when the Board of Energy exercises its powers under said section and assure that all past and future expenditures are in accordance with the guidelines governing the purposes and uses of the Special Fund;

WHEREAS, it is also necessary to increase the resources of the

Special Fund to enable the Government to do the following:

- a) Respond quickly and take adequate supply stabilization measures during periods of short supply occasioned by unanticipated increases in oil prices, production cutbacks and other supply related developments;
- (b) Accelerate the development of non-oil, indigenous and renewable sources of energy and finance the Government programs relating to energy conservation and the development of non-conventional sources of energy; and
- (c) To enable the Government to redirect expenditures and consumption patterns for the purpose of accelerating the development of strategic activities that will catalyze industrial and economic development.

WHEREAS, it is necessary that this amendment be made immediately in view of the crisis generated not only by escalating prices of crude but also because of continuous supply shortages;

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

SECTION 1. Section 17 of Republic Act No. 6173 as amended, is hereby further amended to read as follows:

“Section 17. Payment to Special Fund — In addition to the payments that may be required under Section 8(j) hereof, the Board of Energy is hereby empowered to require, through an appropriate Order, payment to the Special Fund created under Section 8(j) of this Act, of amounts not exceeding a weighted average of Thirty Centavos (P0.30) per liter of all refined petroleum products, as certified by the President of the Philippines, taking into account the requirements and purposes of the Special Fund, the effect of the payment on prices of petroleum products and corollarily, its cost impact on the economy and/or the consuming public and the cost and profit levels of the industry.”

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

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

By the President:

(SGD.) JUAN C. TUVERA
Presidential Assistant

PRESIDENTIAL DECREE NO. 1642

FREEZING THE RATES OF RENTAL, ABOVE THREE HUNDRED PESOS A MONTH, OF RESIDENTIAL AND COMMERCIAL BUILDINGS, HOUSES, APARTMENTS AND DWELLING UNITS IN METROPOLITAN MANILA AT CURRENT LEVELS.

WHEREAS, Section 6, Article II of the Constitution provides that "the State shall promote social justice to ensure the dignity, welfare, and security of all the people. Towards this end, the State shall regulate the acquisition, ownership, use, enjoyment, and disposition of private property, and equitably diffuse property ownership and profits";

WHEREAS, pursuant to the above constitutional mandate, Batas Blg. 25 was enacted whereby the government regulated the rentals of dwelling units or of land on which another's dwelling is located, not exceeding three hundred pesos (P300) a month, for the purpose of preventing the unreasonable rise of rentals so as to alleviate the plight of many people who have no dwelling units or land of their own;

WHEREAS, as an added implementing measure, Proclamation No. 1893 was issued declaring Metropolitan Manila as an urban land reform zone to prevent the unreasonable rise in the prices of lands in the area; and

WHEREAS, in order to more effectively promote social justice, it is further necessary to freeze the present rates of rentals of residential and commercial buildings, apartments, houses and dwelling units in Metropolitan Manila, above three hundred pesos (P300) a month, until appropriate guidelines, rules and regulations shall have been adopted pursuant to Presidential Decree No. 1517 which proclaimed urban land reform in the country;

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

SECTION 1. The rates of rental and residential and commercial buildings, houses, apartments and dwelling units in Metropolitan Manila, exceeding three hundred pesos (P300) a month, are hereby frozen at their current levels until further orders.

SEC. 2. Any person violating any provision of this Decree shall be punished by imprisonment of not less than three (3) months nor more than two (2) years and a fine of not less than one thousand pesos (P1,000) nor more than two thousand pesos (P2,000). Where the offender is a corporation or a juridical entity, the President or

General Manager thereof shall suffer the penalty, without prejudice to the imposition of the fine on such corporation or juridical entity.

SEC. 3. All laws, decrees, rules and regulations inconsistent with this Decree are hereby repealed or modified accordingly.

SEC. 4. This Decree shall take effect immediately.

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

(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. 1646

FURTHER STRENGTHENING THE FISCAL INCENTIVES ADMINISTERED BY THE BOARD OF INVESTMENTS TO ENCOURAGE EXPORTS AND THE SETTING UP OF OVERSEAS TRADE OFFICES

WHEREAS, the present economic situation necessitates more export earnings to supply our foreign exchange requirements, particularly in view of the increasing cost of petroleum imports;

WHEREAS, it is essential that firms which are in position to export be so encouraged by liberalizing the provisions of R.A. 5186, R.A. 6135 and P.D. 1159;

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

SEC. 1. The allowable deduction of a registered export trader under Republic Act 6135 of ten per cent (10%) of its total export sales is hereby increased to twenty per cent (20%). *Provided, further*, that a registered export trader with its own offices abroad may additionally deduct from its taxable income an amount equivalent to its expenses in establishing and maintaining for the first five (5) years, such overseas offices; *Provided, finally*, that the Central Bank shall provide the necessary foreign exchange required to maintain such overseas offices of a registered export trader.

SEC. 2. The following additional incentives shall be granted registered export producers under R.A. 6135, subject to such conditions as the Board of Investments may impose:

- (1) Amortized deduction of organizational and pre-operating expenses as provided under Sec. 7(a) of R.A. 5186;
- (2) Accelerated depreciation as provided under Sec. 7(b) of R.A. 5186;
- (3) Net operating loss carry-over as provided in Sec. 7(c) of R.A. 5186;
- (4) Exemption from the provisions of P.D. 1395 on five per cent (5%) duty and five per cent (5%) tax on previously exempt importation;
- (5) Exemption from P.D. 485 with respect to the reduction of tax exemption on imported capital equipment for non-pioneer enterprises with total assets or projected total assets of ₱500,000.00 for replacement or modernization or for expansion of projects with over 20% return on equity;
- (6) The tax-free importation of capital equipment by a registered export producer is hereby extended from five (5) to seven (7) years;
- (7) Sales tax exemption provided for in Sec. 2 of P.D. 1469 for articles sold by a registered export producer to another export producer or export trader under such guidelines to be formulated by the Board of Investments in consultation with the Bureau of Internal Revenue.

SEC. 3. For purposes of qualifying as a registered export producer and the enjoyment of the reduced income tax incentive under R.A. 5186, R.A. 6135 and P.D. 1159, export sales shall be deemed to include sales to another export producer who utilizes such products as direct inputs of its export products and sales to an export trader, whether registered with the Board of Investments or not.

SEC. 4. Export products for listing in the Export Priorities Plan need not meet the limitation that not more than eighty per cent (80%) of its value is attributable to imported raw materials, *provided, that*, such product meets the local content requirement, if any, set by the Board of Investments; *provided, further*, that products of existing firms with capacity for export, qualified as non-traditional export, shall be deemed listed in the Export Priorities Plan under such conditions as the Board of Investments may impose.

SEC. 5. Without prejudice to minimal local sales authorized

by the Board of Investments to meet the domestic shortages, registered enterprises exporting 100% of its production need not comply with Section 19 (a) (3) of R.A. 5186 which provides that the foreign exporter must become a Filipino national within a certain period.

SEC. 6. Section 16(r) of R.A. 5186 and Section 13(3) of R.A. 6135 authorizing the Board of Investments to suspend or cancel the registrations with the Board, if the firm's earnings excess 33-1/3% of equity, are hereby repealed. Any other laws, decrees, rules and regulations inconsistent herewith are hereby repealed or modified accordingly.

SEC. 7. This Decree shall take effect immediately.

DONE in the City of Manila, this 9th day of October, in the year of Our Lord, nineteen hundred and seventy-nine.

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

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

LETTERS OF INSTRUCTIONS

MALACAÑANG, MANILA

LETTER OF INSTRUCTIONS No. 790

To: The Chairman
Board of Investments

The Secretary
Ministry of Agriculture

The Governor
Central Bank of the Philippines

Subject: AMENDING THE TOTAL HECTARAGE LIMITATION
OF 21,000 HECTARES UNDER L. O. I. NO. 58 OF FEB-
RUARY 22, 1973 FOR EXPORT BANANA PLANTATIONS.

WHEREAS, one of the government's present economic thrust is to increase the nation's foreign exchange earnings through intensified export promotion especially of non-traditional export products;

WHEREAS, there is definite indication of a growing demand for Philippine export bananas, both in the Japanese market as well as newly-developed markets in the Middle East and other countries as shown by the estimate of the 1983 market which is projected to reach 109.1 million 12-kg. boxes, or an increase of 16.6 million boxes in the next five years. This increase alone requires an additional 4,500~~0~~ hectares;

WHEREAS, in line with the Paragraph 3 of LOI 58, there is now a need to allow the development of additional banana plantation areas over the total acreage presently authorized under LOI No. 58 in order to meet the requirements of new banana export markets, while at the same time providing a "buffer" for the inevitable occurrence of such natural calamities as typhoons, droughts, etc.;

WHEREAS, such additional hectarage of banana plantation should be distributed pro-rata to existing growers presently listed in Annex "A" of LOI No. 58 because these growers have the necessary agricultural expertise and established marketing tie-ups and would, therefore, be in the best position to attain the optimum degree of economic efficiency because of economies of scale deemed necessary to enable the industry to compete in the fiercely competitive banana export markets;

WHEREAS, it has been officially confirmed that there were unauthorized plantings in excess of the total acreage allocated under LOI No. 58 in order to rationalize the industry. However, considering the substantial foreign exchange earnings and employment gene-

rated by such plantings, and further considering the substantial investment of capital they represent, it is deemed necessary, on the basis of the appeal from the industry, to legalize the existence of these unauthorized plantings under definite guidelines and rules so that they could be incorporated as an integral part of the total acreage authorized for the industry, both for the existing as well as additional markets for Philippine bananas in the foreseeable future.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President and Prime Minister of the Republic of the Philippines, do hereby authorize an increase of 25% over the present hectareage limitation prescribed under LOI No. 58, and hereby direct the Board of Investments, the Ministry of Agriculture, and the Central Bank of the Philippines, which constitute the Banana Export Industry Committee (hereinafter referred to as the Committee) to:

- a) Strictly enforce the system of area allocation hereinbelow prescribed for the distribution of such additional authorized area for export banana plantations;
- b) Verify, monitor, and supervise the operations of banana growers relative to their compliance with this Letter of Instruction.

SECTION 1—*System of Allocation*—An across-the-board 25% increase in hectareage shall be given to all authorized growers under Letter of Instruction No. 58 on the basis of the survey of planted areas conducted in February, 1977. A confirmatory survey should be conducted by the Committee in order to verify the latest plantings especially of small planters since February, 1977, in order to fully cover all areas planted to export bananas as of the effectivity of this Letter of Instruction. The system of allocation shall be as follows:

- a) Undeveloped areas of authorized growers under LOI 58 shall be deducted from their 25% additional hectareage allocation;
- b) Areas developed by authorized growers in excess of their acreage allocation under LOI 58 shall be legitimized, provided double such excess plantings are deducted from their 25% additional hectareage allocation under this Letter of Instruction; and
- c) Plantations developed by unauthorized growers shall be legitimized but they may not be entitled to any additional area allocation under this Letter of Instruction.

SEC. II—*Conditions for Availment of Additional Area Allocation*—The following conditions are hereby prescribed to insure the orderly implementation of the additional plantation areas herein authorized in order to rationalize the supply of bananas with the

known world demand therefor, thereby helping provide stability for the world market for bananas,

- a) Growers with undeveloped authorized areas under LOI 58 shall first plant such areas, on or before June 30, 1979, unless the remaining areas are found unsuitable for development, in which case equivalent other areas may be developed provided they are within the total area authorized for the growers concerned;
- b) The additional area allocations should be identified and their suitability for banana development should first be ascertained, including the expected produce thereof, the same to be covered by a fixed marketing contract to ensure that the additional production will be exported;
- c) The growers involved shall have proven management and financial capability to carry out their development plans for the additional areas herein authorized; and
- d) The additional area allocations shown in Annexes A & B must be fully planted on or before June 30, 1982; all unplanted areas after June 1982, shall revert back to the Committee which shall in turn distribute the same to other authorized growers who have complied with the conditions herein set forth.

SEC. III—*Transferability of Authorized Area*—Authorized areas that have ceased production for any reason shall revert to the Committee for reassignment or transfer to other qualified growers.

SEC. IV—*Penalties for Future Violations*—To deter future violations after the promulgation of this Letter of Instructions, the following penalties are hereby prescribed:

- a) Cancellation of export permits and/or licenses of any entity involved in any unauthorized planting;
- b) Destruction at the expense of the guilty grower concerned of any unauthorized planting as verified by the Committee; and
- c) Imposition on the guilty grower of a cash penalty of ₱20,000 for each hectare of verified unauthorized planting.

SEC. V—*Committee Support and Assistance*—To effectively carry out this Letter of Instructions,

- a) The Board of Investments, as lead agency of the Banana Industry Export Committee and the Interagency Committee on the Implementation of P.D. 1090, is hereby authorized to use for 1979 ₱500,000 of its 1978 savings for such staff

work and related operations as are necessary to implement this Letter of Instructions as well as to fund the operations of the aforementioned Interagency Committee under P.D. 1090 relative to the determination, administration, supervision, and review of carton box quota allocations and their availment by fresh fruit exporters in accordance with the guidelines established for the purpose; and

- b) To carry out its functions, the Committee may avail of the assistance of any other government office, law enforcement agency and/or instrumentality of the Government.

This Letter of Instructions shall take effect upon approval.

Done in the City of Manila, this 6th day of January, in the year of Our Lord, nineteen hundred and seventy-nine.

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

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LETTER OF INSTRUCTIONS No. 803

To: Chairman Blas F. Ople
Cottage Industry Development Council

Minister Jaime C. Laya
Budget Commission

Executive Director Mario R. Reyes
Cottage Industry Development Enterprises

WHEREAS, under Letter of Instructions No. 122, issued on September 3, 1973, to the Chairman of the Cottage Industries Development Council, the Commissioner of the Budget and the Executive Director of Cottage Industries Development Enterprises, the sum of ₱5 Million was released for the stockpiling of critical raw materials of cottage industries which are to be sold to NACIDA registered cottage industries producers at nominal prices to ensure a steady and continued supply thereof for the operation of such cottage industries;

WHEREAS, the national program thrust is for the establishment of more market-oriented, labor intensive, rural-based, enterprises typified by cottage industries;

WHEREAS, the projected value of exports in 1979, for cottage industries products, is ₱2.36 billion, the raw materials component of which is estimated at ₱768 million;

WHEREAS, of the estimated raw material value of P768 million about 10% or P76 million thereof which may be classified as critical, are traded by a limited number of indentors who could manipulate the supply and price of the items to the detriment of cottage industries producers;

WHEREAS, there is a need to intensify government support of enterprises engaged in cottage industries, particularly those which are expected to be established under the National Job Creation Program of the Ministry of Human Settlements, to insure their continued viability;

WHEREAS, this intensified government support for the cottage industry sector, calls for an expanded coverage of LOI 122 and for the augmentation of the funding for the purpose, in order to make the stockpiling effort adequate and substantial enough to make a meaningful impact on the industry, especially those established in depressed, as well as calamity-affected areas.

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

1. The Chairman of the Cottage Industry Development Council and the Executive Director of the Cottage Industry Development Enterprises, to include in the coverage of LOI 122, the procurement, by local purchase or importation, if not locally available, of critical raw materials of cottage industries, and of selected tools, equipment, machineries and parts needed by cottage industries, as determined by the Administrator of the National Cottage Industries Development Authority, in consultation with the cottage industry sector particularly the Philippine Chamber of Handicraft Industries.

Importations pursuant to LOI 122, as amended by this Letter of Instructions, shall be exempt from the payment of customs duties and all taxes, the provisions of existing laws to the contrary notwithstanding, including Section 23 of Presidential Decree No. 1177 and Presidential Decree No. 1352, as amended, provided, that such importations are not locally available in sufficient quantity, quality, and at competitive prices, as certified by the Board of Investments.

2. The Minister of the Budget, to release an initial amount of Fifteen Million Pesos (P15,000,000.00) to the Cottage Industry Development Enterprises, from the Special Activities Fund of the President, to augment the fund released under LOI 122, for buying and selling critical raw materials, tools, equipment, machineries and parts needed by cottage industries, and for expenses for transportation, warehousing, financing and other capital outlay, to carry out the objectives of Letter of Instruc-

tions No. 122, as amended by this Letter of Instructions; provided, that this fund and all incomes derived from the use of the same, shall constitute a revolving fund for the purpose established herein, exempt from the provisions of Presidential Decree No. 711; provided further, that a portion of this fund, as determined by the Administrator of the National Cottage Industry Development Authority (NACIDA) in consultation with the cottage industry sector, particularly the Philippine Chamber of Cottage Industries, shall be made available for loans to NACIDA accredited producers for the procurement of critical raw materials, tools, equipment, machineries and spare parts of cottage industries in support of Presidential Memorandum Circular No. 1059, according to guidelines prescribed by the Central Bank of the Philippines.

The provisions of Letter of Instructions No. 122 inconsistent with the provisions of this Letter of Instructions are hereby correspondingly amended or superseded.

Done in the City of Manila, this 8th day of February, in the year of Our Lord, nineteen hundred and seventy-nine.

(Sgd.) FERDINAND E. MARCOS
President and Prime Minister
Republic of the Philippines

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LETTER OF INSTRUCTIONS No. 808

To: All Concerned

WHEREAS, to sustain the country's developing economy, there is a need to encourage and accelerate exports;

WHEREAS, one procedural impediment to the expeditious conduct of export transactions is the piece-meal payment of various fees and charges to collecting agencies, which delays instead of facilitates exports,

WHEREAS, this cumbersome process can be eliminated if such fees and charges are consolidated and collected after shipment through authorized agent banks and deducted from export proceeds;

WHEREAS, this consolidated system of post-shipment collection will not only simplify procedures but will also provide indirect financing assistance to exporters;

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

1. All fees and charges assessed on exports shall be consolidated and collected after shipment through authorized agent banks as deductions from export proceeds.
2. The National Economic and Development Authority (NEDA) shall promulgate the necessary rules and regulations to carry out the provisions of this Letter of Instructions within thirty days from date hereof and incorporate same under the general Rules and Regulations implementing Presidential Decree No. 930, Simplifying Export Procedures and Documentation.
3. The provisions of this Letter of Instructions shall take effect fifteen (15) days after publication of said rules and regulation in a newspaper of general circulation.

Done in the City of Manila, this 9th day of February, in the year of Our Lord, nineteen hundred and seventy-nine.

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

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LETTER OF INSTRUCTIONS NO. 817

To: The Minister, Ministry of Finance
The Minister, Ministry of Budget
The Governor, Central Bank of the Philippines
The Chairman, Philippine Sugar Commission
The Chairman & President, Philippine National Bank
The Chairman & President, Philippine Exchange Company

WHEREAS, pursuant to Presidential Decrees 579, 388 and 1192, the Philippine Exchange Company (Philexchange) and the Philippine Sugar Commission (Philsucom) acted as the sole sugar trading agents of the National Government;

WHEREAS, both Philexchange and Philsucom secured credit accommodations to finance their operations as sugar trading agents,

WHEREAS, under Presidential Decrees 579, 388 and 1192 authorizing Philexchange and Philsucom to act as agents of the

government, the guarantee of the National Government is implied insofar as the sugar trading liabilities incurred by these agencies with the Philippine National Bank is concerned;

WHEREAS, in 1977, then Secretary of Justice Vicente Abad Santos expressed the opinion that Philsucom obligations "are or represent direct obligations of the Philippine government itself, and *ipso jure*, are obligations which carry the full faith and credit of the Philippines",

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby confirm that the sugar trading accounts of Philexchange and Philsucom with the Philippine National Bank obtained in their capacities as sugar trading agents of the National Government are covered by the unconditional guarantee of the National Government.

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

February 19, 1979

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LETTER OF INSTRUCTIONS No. 822

To: The Minister
Ministry of Natural Resources

In line with the government's efforts to promote the proper management, utilization, protection, rehabilitation and development of forest resources, effective immediately, permits to operate saw-mills previously granted to those without any timber license, logging concessions, or authorized sources of logs are hereby cancelled.

For immediate compliance.

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

February 28, 1979

LETTER OF INSTRUCTIONS No. 836

To: The Governor, Central Bank of the Philippines
The Minister of Finance
The Minister of Trade
The Minister of Industry
The Director-General, NEDA

WHEREAS, the current market demand and supply estimate for newsprint indicate a potential shortfall of up to 12,000 metric tons;

WHEREAS, this gap may be aggravated should there be a shut-down of the Paper Industries Corporation of the Philippines (PICOP's) Bislig Mill or interruption of supply channels by bad weather or other causes;

WHEREAS, the importation of newsprint is necessitated by the present inability of PICOP to supply the demand for newsprint specially for non-traditional uses such as for grade school pads;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the power vested in me by the Constitution, do hereby order the importation by the Paper Industries Corporation of the Philippines (PICOP) from time to time of up to 12,000 metric tons of newsprint free of import duties: *Provided*, That PICOP shall sell the imported newsprint at prices no higher than those prevailing for those locally manufactured.

Done in the City of Manila, this 26th day of March, in the year of Our Lord, nineteen hundred and seventy-nine.

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

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LETTER OF INSTRUCTIONS No. 850

To: Deputy Minister Vicente B. Valdepeñas, Jr.
Ministry of Trade

Pending the revamp of the Garments and Textile Export Board and the revision of the rules implementing PD 1440 to provide for a more equitable allocation of Export Quotas and Export Authorizations to both new and old manufacturers pursuant to the guidelines I have already communicated to you, you are hereby instructed in

your capacity as Deputy Minister to take the following measures:

1. Consider and approve applications for Export Quotas and Export Authorizations.
2. Appoint or designate the personnel of the GTEB Secretariat.

For immediate compliance.

Done in the City of Manila, this 23rd day of April, in the year of Our Lord, nineteen hundred and seventy-nine.

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

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LETTER OF INSTRUCTIONS No. 852

To: Minister of Labor
Minister of Foreign Affairs
Minister of Tourism
Minister of Finance
Chairman, Overseas Construction Board
Chairman, Overseas Employment Development Board
Officer-In-Charge, Travel Processing Center

WHEREAS, it is the policy of the Government to support the development of the Filipino overseas construction industry;

WHEREAS, a part of the Government support entails setting of complementary policies such as those concerning the exportation of Filipino construction workers under conditions that are consistent with the Government's concern for the protection and welfare of the workers;

WHEREAS, there have been recurring incidents where Filipino construction workers are recruited by or for foreign contractors under conditions that run counter to our efforts to develop our overseas construction industry and, at the same time, fail to provide the necessary safeguards for the well-being of the workers;

WHEREAS, there is a need to define clearly the responsibilities of government agencies that are involved in regulating the operations of overseas construction companies and in implementing policies related to the welfare of our workers;

WHEREAS, there is a need to take appropriate measures that will anticipate and prevent the occurrence of similar problems in the

export of workers in industries other than construction;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, hereby prescribe the following policies and guidelines:

1. Effective this date, only Filipino construction companies may export Filipino construction workers. The Ministry of Labor and the Overseas Construction Board shall determine the appropriate rules and regulations in this regard;

2. The Ministry of Labor shall process construction workers for employment in overseas construction projects, only if such workers are employed by companies registered with the Overseas Construction Board. Companies now registered with the Bureau of Employment Services, Ministry of Labor, but not registered with the Overseas Construction Board may continue to export Filipino construction workers, provided that said companies shall register with the Overseas Construction Board within one (1) year from the date of this Letter of Instructions.

3. The Overseas Construction Board, in consultation with the Ministry of Labor, shall establish and implement the rules and regulations that will require "labor supply Only" Filipino subcontractors in overseas projects to upgrade their contracts within a reasonable period, but not exceeding two (2) years from the date of this LOI. Upgrading in this instance shall mean taking on additional responsibility in the implementation of a project such as, but not limited to, providing materials, equipment, management, etc., rather than supply labor only.

4. The Overseas Employment Development Board shall limit its recruitment and placement of Filipino construction workers only to those that will be employed by foreign governments in projects supervised and administered by such governments, and as employees of said foreign governments;

5. The Ministers of Labor, Foreign Affairs, Tourism, and Finance, and the Officer-in-Charge of the Travel Processing Center shall, as a Committee for the purpose, establish measures that will inhibit the abuse of tourism travel as a means to obtain overseas employment contrary to the purposes and intents of this LOI.

6. The Ministry of Labor shall establish measures to develop the exportation of Filipino workers in corporate groups, rather than as individuals in the other industries such as, but not limited to, mining, hotel administration, and ports/stevedoring operations.

Done in the City of Manila, this 1st day of May, 1979.

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

LETTER OF INSTRUCTIONS No. 854

ON THE IMPLEMENTATION OF REPUBLIC ACT NO. 809,
OTHERWISE KNOWN AS THE SUGAR ACT OF 1952.

To: The Minister of Labor

In the light of the Supreme Court decision on the Talisay-Silay case upholding the constitutionality and enforceability of Republic Act No. 809, otherwise known as the Sugar Act of 1952, and in order to insure the systematic and expeditious distribution of the benefits involved to covered sugar workers, the Minister of Labor is hereby directed to undertake and implement the following measures:

1. *Direct payment subject to supervision.* The workers' share shall be paid directly by the planter concerned to the workers or claimants entitled thereto subject to the supervision of the Minister of Labor or his duly designated representatives.

2. *Release of the planters' share.* No part of the 60% share of any planter shall be released to him without the certification of the Minister of Labor that the planter has fully paid the shares of all the workers or claimants entitled thereto.

3. *Unclaimed shares.* Pursuant to Article 129 of the Labor Code, as amended, any undistributed or unclaimed share of the workers shall be held in a special deposit account in an authorized depository bank in the name of the Minister of Labor to be held in trust for the worker for a period of two (2) years, after which any sum remaining unclaimed shall constitute a special fund to be used exclusively for the promotion of the welfare of rural workers.

4. *Prohibition on deductions.* No deduction whatsoever shall be made from the share of the workers for payment of attorney's or other fees for any service rendered in connection with the release and distribution of such share.

5. *Prohibition on waiver of benefits.* As a matter of public policy, any contract, device or quitclaim of any sort tending to exempt the planter, in whole or in part, from his liability under the Act shall be null and void.

6. *Funding.* For calendar year 1979, the sum of ₱300,000 or so much thereof as may be necessary, is hereby set aside from the available funds of the Rural Workers' Office, Ministry of Labor, for the implementation of the Act.

Beginning 1980, the implementation of the Act shall be funded from the regular budget of the Rural Workers' Office.

This Letter of Instructions shall take effect immediately.

Done in the City of Manila, this 1st day of May 1979.

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

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LETTER OF INSTRUCTIONS No. 857

To: The Governing Board of the Philippine Coconut Authority

WHEREAS, in 1973, the drastic price increases in crude oil precipitated by the Organization of Petroleum Exporting Countries (OPEC) unleashed an unprecedented worldwide inflation;

WHEREAS, to cushion the impact of the spiralling costs of essential coconut-based consumer products on the consumers, the coconut farmers volunteered to subsidize the manufacture and processing of these products;

WHEREAS, since then, the OPEC has demanded and implemented continuous hikes in crude oil prices, precipitating a further escalation of prices of other commodities;

WHEREAS, price increases in consumer goods is, therefore, an economic reality that must be inevitably accepted by consumers;

WHEREAS, since the coconut farmers themselves bear the burden brought about by the worldwide inflationary spiral, the funds appropriated for the subsidy should now be made to serve a dual purpose, namely:

- a) To insure the continuous and adequate supply of essential coconut-based products for the benefit of the consumers; and
- b) To insure that the impact of the worldwide inflationary spiral on the coconut farmers is likewise cushioned.

WHEREAS, any savings in the subsidy fund should thus be channeled into developmental projects for the benefit of the coconut farmers, particularly those which could assure them of higher farm-gate copra prices;

WHEREAS, one of the reasons for low farm-gate prices is the excessive number of middlemen participating in the multi-staged channel through which the copra produced by the coconut farmers is purchased and ultimately sold to end-users of copra;

WHEREAS, with the necessary financial support, the COCOFED and its 950 municipal chapters could establish cooperative copra collecting centers which can be engaged in the direct purchase of copra from the coconut farmers and the direct sale of copra to such end-users which the coconut farmers themselves own or control through the Coconut Industry Investment Fund, thereby eliminating the need for multiple copra middlemen;

WHEREAS, with the reduction of the number of middlemen, the speculative profits that would otherwise be reaped by them could be shared by both the coconut farmers and consumers in the form of higher farm-gate prices of copra and, at the same time, more reasonable prices of essential coconut-based products;

WHEREAS, there is a need to provide additional funds for:

a) The acquisition of refineries and additional oil mills by the coconut farmers, in order that the objective of the vertical integration of the coconut industry in a manner making the coconut farmers direct participants and beneficiaries thereof may be attained within the shortest possible time; and

b) The social amelioration program for coconut farmers, in order to further promote the direct personal well-being of the coconut farmers and that of their families.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President and Prime Minister of the Philippines, by virtue of the powers vested in me by law, hereby direct the Governing Board of the Philippine Coconut Authority (PCA) to implement the following:

1. Any portion of the amount allocated out of the Coconut Consumers Stabilization Fund (CCSF) levy for the subsidy of essential coconut-based consumer products which may not be needed for the purpose shall be allocated ratably for the following purposes:

25%— To augment the Coconut Industry Investment Fund (CIIF), to be used to finance the establishment and operation of industries and commercial activities relating to the coconut and other palm oil industry, as prescribed by Article III, Sec. 9 of P.D. 1468.

40%— As additional fund for the social amelioration of the coconut farmers in the form of mutual assistance, protection and relief, such as for insurance, and for providing

health facilities and services, as prescribed by Article III, Section 2(e), of P.D. 1468.

35%— As the Copra Price Stabilization Fund (CPSF).

2. The Authority shall promulgate the rules and regulations for the establishment, administration, operation, and utilization of the CPSF, bearing in mind always that the fund shall be utilized for the benefit of coconut farmers, and under the following guidelines:

- a) To minimize the present intervention of multiple copra middlemen and thereby achieve a more efficient and non-speculative marketing of the copra from the coconut farmers to the end-users such as the oil mills, refineries and copra exporters, the COCOFED and its chapters shall organize and operate cooperative centers which will collect the coconut products directly from the farmers.
- b) The CPSF shall be administered for the coconut farmers by a Committee composed of three (3) members, one (1) of whom shall be designated by the PCA, one (1) by the COCOFED, and one (1) by the administrator of the CIIF. The members shall elect from among themselves the Chairman of the Committee.
- c) The funds of the CPSF shall be utilized initially to finance the capital expenditures necessary to establish and operate the COCOFED cooperative collecting centers. Thereafter, the CPSF and the profits derived from the operations of the COCOFED cooperative collecting centers shall be returned, if feasible and practicable, as patronage dividends to the coconut farmers who may be entitled thereto as determined by the CPSF Committee, such patronage dividends for each individual recipient to be computed on the basis of copra sold by such recipient, and the patronage dividends shall be paid directly to the farmers concerned at such times as may be conveniently done as determined by the CPSF Committee.
- d) The copra supported by the CPSF shall be sold to end-users owned or controlled by the coconut farmers thru the CIIF.
- e) To ensure the effective implementation and continued viability of the operations of the COCOFED cooperative collecting centers, the PCA may, from time to time, with the concurrence of the COCOFED and the administrator of the CIIF, adjust the ratio of allocation provided in paragraph 1 above or make the necessary reallocation.

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

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

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LETTER OF INSTRUCTIONS No. 868

To: The Minister of Natural Resources and Chairman, Fishery Industry Development Council
The Director of Fisheries and Aquatic Resources
The Ministry of Budget
The Governor of the Central Bank of the Philippines
and Chairman, Presidential Committee on Agricultural Credit
The President of the Development Bank of the Philippines
The Chairman of the Philippine Fish Marketing Authority
The President, University of the Philippines System
The Minister of Education and Culture

Further to my instructions contained in LOI 791 directing the Minister of Natural Resources to operationalize the Blue Revolution Program of the Ministry of Natural Resources, I hereby issue the following additional directives:

1. The credit program for small and medium-scale fisheries shall henceforth be known as BIYAYANG DAGAT '79;
2. The program shall include small-scale marine capture, small-scale culture of mussels, oysters, seaweeds, freshwater culture of tilapia, carp, hito, etc. in freshwater ponds and rice paddies,
3. The program shall include the intensification of fish culture in brackishwater fishponds. Thus: The Minister of the Budget is hereby directed to release to the Fishery Industry Development Council the amount of Ten Million Pesos (P10,000,000) to be made part of the Fishery Guarantee Loan Fund to provide seed money for production loans for fishponds;
4. The Governor of the Central Bank will make eligible for 100 per cent rediscounting at one per cent interest rate all loans granted under the BIYAYANG DAGAT '79 credit program;

5. The Minister of Natural Resources and the Governor of the Central Bank shall launch this program immediately.

Letters of Instructions, Executive Orders, Memorandum Circulars, Rules and Regulations or parts thereof inconsistent with this Letter of Instructions are hereby revoked or modified accordingly.

This Letter of Instructions shall take effect immediately.

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

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

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LETTER OF INSTRUCTIONS No. 870

To: The Minister of Human Settlements and Chairperson, National Home Mortgage Finance Corporation

The Chairman-General Manager, Government Service Insurance System

The Administrator, Social Security System

WHEREAS, the administration of the Home Development Mutual Funds, a nationwide program of savings and provident benefits for employees, private and public, established by Presidential Decree No. 1530, has been transferred by Executive Order No. 527 to the National Home Mortgage Finance Corporation, an operating agency for shelter finance of the Ministry of Human Settlements.

WHEREAS, considering the objectives for the Funds and welfare of employees, there is need for the effective implementation of the program;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, hereby order and direct the following:

1. The National Home Mortgage Finance Corporation shall implement the program and its administration of the Home Development Mutual Funds, in accordance with law and as deemed appropriate and feasible to carry out the objectives for the Funds, and promulgate the corresponding rules and regulations, which will have the force of law upon approval by the Minister of Human Settlements.

2. Public launching of the program shall be done on July 11, 1979.

3. Collection of contributions from employee-members and counterparting employers shall be done by the National Home Mortgage Finance Corporation, in lieu of the Government Service Insurance System and the Social Security System, through banking institutions accredited for the purpose by the Corporation, under service and fee arrangements as may be deemed proper and reasonable.

4. Any provision of executive order, ordinance, rules and regulations inconsistent herewith are hereby modified accordingly.

5. This Letter of Instructions shall be effective immediately.

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

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

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LETTER OF INSTRUCTIONS No. 871

To: All Concerned

SUBJECT: SUSPENSION OF THE IMPLEMENTATION OF SECTION 1310 OF P.D. 1464 AMENDING THE REVISED TARIFF AND CUSTOMS CODE OF THE PHILIPPINES.

WHEREAS, under Section 1310 of Presidential Decree No. 1464, the minimum dutiable value of all imported articles whereby consular documentation is required has been raised from ₱3,000 to ₱10,000 would reduce by an estimated 40% the consular invoice collection of the Philippine government which presently amounts to about US\$6 million and which goes to the general fund;

WHEREAS, under Section 1310 of Presidential Decree No. 1464, importations of all government agencies and instrumentalities are exempted from consular invoice documentation, and such exemption from consular invoice requirements would have great implications on the implementation of Presidential Decree No. 1466, otherwise known as "A Decree Amending Presidential Decree No. 894," which govern the cargo preference requirements of the Philippine government;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President

of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby direct the following:

SECTION 1. Implementation of Section 1310 of Presidential Decree No. 1464, amending Section 1310 of the Tariff and Customs Code, which took effect on March 1, 1979 is hereby suspended immediately until such time that an alternative solution has been found.

SECTION 2. All government agencies and instrumentalities involved in the formulation of rules and regulations on Tariff and Customs requirements should formulate a viable solution to these two aforementioned matters and shall review periodically its effectiveness and make such recommendations and reports to the President of the Philippines, as the need arises.

Done in the City of Manila, this 6th day of June, in the year of Our Lord, nineteen hundred and seventy-nine.

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

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LETTER OF INSTRUCTIONS No. 874[^]

To: The Minister of Finance
The Minister of Public Highways
The Minister of Human Settlements
The Governor of the Central Bank
All Concerned

FURTHER STRENGTHENING AND ENSURING THE VIABILITY
OF THE RICE AND CORN INDUSTRY

WHEREAS, the Philippines has achieved full self-sufficiency and even surplus production in rice;

WHEREAS, arising out of vastly increased rice production, second-generation problems attendant to surplus, such as low palay prices, marketing, warehousing and storage, and bulk handling are slowly impinging the industry;

WHEREAS, world uncertainties have placed added pressures on the industry;

WHEREAS, rice is the basic staple of almost all Filipinos and

the rice industry by far is still the single largest industry in the economy; and

WHEREAS, the government is presently redirecting its resources to achieve full self-sufficiency in white corn for human and animal consumption and exports of yellow corn.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, with the powers vested in me by the Constitution, do hereby order the immediate implementation of the following measures in order to further strengthen and ensure the viability of the rice and corn industry. These will ease the tight financial and liquidity position of the industry.

1. The Minister of Finance shall extend for another two-year period beginning December 31, 1979, the suspension of the increase in taxes on the gross sales of rice and corn.

2. The Governor of the Central Bank shall increase the loan value of grains quedan financed under the grains quedan financing program of the National Grains Authority from 50% to 70%.

The Central Bank, the DBP, the PNB, and the NGA shall also find ways and means to provide millers and traders with initial working capital at the start of each harvest season.

3. The Development Bank of the Philippines and the Land Bank of the Philippines are hereby directed to set aside sufficient loanable funds for financing the improvement and/or replacement of old mills for new and efficient ones with minimum recovery rates of 62%.

4. The Philippine National Bank shall set aside ₱10 million for loans to grains retailers duly affiliated with the Confederation of Filipino Rice and Corn Associations, Inc.

5. All new rice and corn mills shall be set up in areas chosen as sites for industrial purposes only as defined in the zonification program of the Ministry of Human Settlements. All existing rice and corn mills may remain in their present sites as millers shall install adequate facilities for anti-pollution.

The following measures will cushion the increasing pressures of the fuel cost crunch.

1. The Ministry of Public Highways shall allow rice and corn haulers to load the equivalent of fourteen (14) tons net weight for six-wheeler trucks and twenty-five (25) tons net weight for ten-wheeler trucks.

2. The National Grains Authority shall make mandatory the use of steam boilers using rice husks as fuel in all new rice and corn mills to be installed. These new mills and existing ones that shall be converted to use steam boilers shall be granted financing at preferential terms by the DBP and the Land Bank.

This Letter of Instructions shall take effect immediately.

Done in the City of Manila, this 14th day of June, nineteen hundred and seventy-nine.

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

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LETTER OF INSTRUCTIONS NO. 884

- To: (1) The National Economic and Development Authority
(2) The Ministry of Local Government and Community Development
(3) The Ministry of the Budget
(4) The Ministry of Finance
(5) The Ministry of National Defense
(6) The Commission on Audit
(7) The National Tax Research Center (NEDA)
(8) The Presidential Commission on Reorganization

In order to expedite the organization and of making operational the Sangguniang Pampook and Lupong Tagapagpaganap ng Pook established in Regions IX and XII pursuant to Batas Pambansa Blg. 20, instructions are given as follows:

1. The National Economic and Development Authority (NEDA) shall (a) conduct a study of and prepare recommendations for the improvement of the planning function such that the primary responsibility of NEDA for planning *vis-a-vis* the Autonomous Regions shall be with respect to determining the national and inter-regional implications of the regional development plan, while that of the Regional Development Council shall be with respect to formulating the regional development plan, including determining its intra-regional (within the region) implications; and also that the regional planning function will allow a substantial participation of the Autonomous Region in the regional planning process and ensure that development priorities as perceived by the Sangguniang Pampook and the Lupong Tagapagpaganap ng Pook as well as local governments are considered in the formulation of the regional development plan; and (b) conduct a study of and prepare recommendations as to what functions and

responsibilities of NEDA with respect to regional planning can be turned over or delegated to, or otherwise coursed through, the Autonomous Regions.

2. The Ministry of Local Government and Community Development shall (a) provide, in coordination with other agencies concerned, assistance to the Sangguniang Pampook in the formulation of its rules of proceedings; and (b) conduct a study of and prepare recommendations as to what regulatory and supervisory powers and developmental functions of the Ministry of Local Government and Community Development, with respect to local governments, can be appropriately turned over or delegated to, or otherwise coursed through, the Autonomous Regions.

3. The Ministry of the Budget shall (a) assist the Lupong Tagapagpaganap ng Pook in the formulation of a budgeting system and a budget operations manual to be adopted by the Autonomous Regions; (b) develop a system by which all assistance to local governments as well as fund releases for undertaking regional projects of national government offices in the Autonomous Regions, particularly those that are geared towards the development of the community, shall be coursed through the Lupong Tagapagpaganap ng Pook; and (c) conduct a study of and prepare recommendations as to what regulatory and supervisory powers of the Ministry of the Budget with respect to regional offices and local governments can be appropriately turned over or delegated to, or otherwise coursed through, the Autonomous Regions.

4. The Ministry of Finance shall (a) with the assistance of the National Tax Research Center, conduct a study of and prepare recommendations for defining the nature and extent of the taxing authority of the Sangguniang Pampook, including an identification of the specific taxes that can be levied by the Autonomous Regions; (b) with the assistance of the National Tax Research Center, study and formulate recommendations for revising the sharing system of local governments from receipts of national taxes, to include the Autonomous Regions in such sharing system; and (c) conduct a study of and prepare recommendations as to what regulatory and supervisory powers of the Ministry of Finance with respect to local governments can be appropriately turned over or delegated to, or otherwise coursed through, the Autonomous Regions.

5. The Ministry of National Defense shall conduct a study of and prepare recommendations for establishing a system of internal regional security and the adoption of measures and arrangements that will enhance the maintenance of peace and order in the Autonomous Regions, including the possible organization and maintenance of security and; or police forces therein.

6. The Commission on Audit shall formulate and install an accounting system, a chart of accounts and auditing procedures as

would be appropriate with the concept of internal autonomy for financial transactions of the Autonomous Regions.

7. The Presidential Commission on Reorganization, in coordination with agencies concerned, shall (a) conduct a study of the powers and operations of the regional offices and field units of entities operating in each of the Autonomous Regions and prepare recommendations for effecting a more substantial delegation of substantive authority to these regional offices and field units; (b) conduct a study of the functions and operations of government corporations operating in each of the Autonomous Regions, particularly the Southern Philippines Development Administration, and prepare recommendations for ensuring effective coordination with the Lupong Tagapagpaganap ng Pook of the administration and implementation of their respective projects within the region; and (c) conduct a study of the prepared recommendations for defining the desired nature of the administrative supervision that shall be exercised by the Lupong Tagapagpaganap ng Pook over the regional directors of the national agencies engaged in the socio-economic development of the region, including the Ministries of Health, Education and Culture, Public Highways, Agriculture, Social Services and Development, Human Settlements, Public Works, Transportation and Communications, Industry, and Youth and Sports Development.

Whenever necessary and possible, representatives of the Autonomous Regions shall be consulted with respect to the recommendations formulated arising from each studies before these are finalized.

The studies directed hereinabove to be conducted shall be completed and reports thereon shall be submitted to the President, including proposed issuances, within 30 days from the issuance of this Letter of Instructions.

Done in the City of Manila, this 27th day of June, in the year of Our Lord, nineteen hundred and seventy-nine.

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

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LETTER OF INSTRUCTIONS NO. 889

To: The Governing Board of the
Philippine Coconut Authority

WHEREAS, continuous hikes in crude oil prices imposed by OPEC have precipitated a further escalation of prices of essential

commodities, including edible coconut oil and laundry bar soap;

WHEREAS, under P. D. 1468 (the Revised Coconut Industry Code), the Philippine Coconut Authority is authorized to provide a subsidy for coconut-based products when the national interest so requires;

WHEREAS, it is to the national interest that the impact on the consumers of the escalation in prices be cushioned;

NOW, THEREFORE, and until otherwise ordered by me, the Philippine Coconut Authority is hereby directed to maintain the subsidy on essential coconut-based products by allowing the oil mills owned and/or controlled by the coconut farmers through the Coconut Industry Investment Fund to supply subsidized raw materials to manufacturers which undertake to sell subsidized coconut-based products at such prices which would enable consumers to purchase such products within the price ceilings last fixed by the Price Control Council.

The Philippine Coconut Authority shall promulgate such rules and regulations as may be necessary to implement this Letter of Instructions.

This Letter of Instructions takes effect as of July 1, 1979.

Done in the City of Manila, this 11th day of July, in the year of Our Lord, nineteen hundred and seventy-nine.

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

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LETTER OF INSTRUCTIONS NO. 900

To: The Export Processing Zone Authority
The Ministry of Human Settlements

WHEREAS, the development and promotion of Philippine exports is essential to sustain economic growth;

WHEREAS, the Philippine electronics industry has an excellent potential among all export industries in terms of foreign exchange and employment generation;

WHEREAS, it is a policy of the Government to provide the export sector with all the necessary support in terms of simplified administrative procedures, upgraded infrastructure, utilities and other

support services; and incentives comparable to those offered in advanced developing countries in Asia, with a view of improving our competitive position in the world market;

WHEREAS, it is a policy of the Government to establish an advanced technology base for the integrated development of the electronics industry to serve as a nucleus for the eventual dispersion of the industry and its allied industries in the countryside;

WHEREAS, the aforesaid electronics technology base can become a vanguard for the development of our own indigeneous technology by (1) generating a favorable business-economic environment for the expansion of the burgeoning class of Filipino entrepreneurs and investors, (2) acquiring appropriate foreign technology through cooperative technical agreements characterized by the participation of Filipino venture capital, and (3) establishing a system of technology transfer among Filipino scientists, engineers and technologists in both public and private sectors;

WHEREAS, it is a stated goal of the Government to provide the citizens with adequate housing facilities and other support services to enhance the quality of life of the Filipino, and to that end has instituted the BLISS and PAG-IBIG programs;

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 the following:

SECTION 1. An Export Processing Zone (hereafter referred to as Zone) for the electronics industry shall be established to serve as an industrial base of the industry in an area of no less than twenty (20) hectares covering a portion of land belonging to the Food Terminal Incorporated together with a portion of public land in its immediate vicinity, in the Municipality of Taguig, Metro Manila.

SEC. 2. The Zone shall be complemented with adequate housing facilities and other support services for the employees, and their families, of companies that shall be situated in the Zone.

SEC. 3. The Export Processing Zone Authority and the Ministry of Human Settlements in consultation with the Philippine Export Council, specifically its Permanent Committee on Electronics, Electrical and Allied Industries, shall enter, within sixty (60) days after the effectivity of this Letter of Instructions, into a Memorandum of Agreement that shall include, among others; the terms of their cooperation, the method of conveyance of the land properties that shall be covered by the Zone, and the fund requirements and sourcing to implement the integrated project as well as the management of the Zone and the human settlements component thereof as discussed in Section 4: *Provided, further, that:*

(a) The Memorandum of Agreement shall define the mechanism to integrate the Zone with the BLISS and PAG-IBIG programs of the

Government to ensure the provision of adequate housing facilities for the workers and their families, of the electronics and allied firms to be located in the Zone, as well as those residents who may be displaced by the establishment of the Zone.

(b) The said PEC Committee shall in a consultative capacity, assist the Zone in formulating specific guidelines based on the policy statements in this Letter of Instructions, clarify the objectives, formulate strategies and provide the direction for the accelerated growth of the industry as it is based in the Zone; and by such initiatives provide leadership in advancing the development of the electronics industry and the electronics technology in this country.

SEC. 4. The establishment of an administration for the Zone shall be the responsibility of the Export Processing Zone Authority; while the establishment of an administration of the human settlements component shall be the responsibility of the Ministry of Human Settlements. The particular details shall be defined in the Memorandum of Agreement stated in Section 3.

SEC. 5. All the rights and privileges and the corresponding duties and obligations, as defined in Presidential Decree 66, as amended by P.D. 1449, shall be conferred on all enterprises, both business and non-profit, that shall be established in the Zone.

SEC. 6. Priority to establish business operations in the Zone shall be given to companies with at least sixty (60) percent Filipino equity and considerably more if the technology involved is existing in the country. Exceptions to the above are companies with more advanced technology than is available locally, in which case equity ownership by Filipinos shall at least be thirty (30) percent: *Provided, however*, that after a certain period of time, Filipino ownership of the company shall be increased. Priority shall likewise be extended to government or non-profit private organizations engaged in research and development activities as well as in areas of standards/testing, human resource development, marketing and information systems, and other such activities that will contribute to the growth and development of the industry.

SEC. 7. In the attainment of its objectives, the Zone shall be assisted by the following agencies:

- (a) Human Settlements Development Corporation
- (b) Food Terminal Incorporated
- (c) National Home Mortgage Finance Corporation
- (d) Metals Industry Research and Development Center
- (e) Philippine Long Distance Telephone Company
- (f) Republic Telephone Company
- (g) Manila Electric Company
- (h) Metropolitan Waterworks and Sewerage System

SEC. 8. The provisions of this Letter of Instructions shall take effect immediately.

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

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

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LETTER OF INSTRUCTIONS NO. 920

To: The Minister
Ministry of Human Settlements
The Chairman
National Home Mortgage Finance Corporation
The General Manager
National Housing Authority
The Governor
Central Bank of the Philippines
The President
Malacañang Homeowners Association, Inc.
All concerned

WHEREAS, under Presidential Decree No. 293, an area which used to be part of the Tala Estate, now better known as the Pangarap Village, in Caloocan City was declared open for disposition and sale to members of the Malacañang Homeowners Association, Inc.(Association);

WHEREAS, in order to carry out the objectives and purposes of the aforecited decree, it is imperative to develop the land covered thereby into a viable, productive and progressive human settlement project; and

WHEREAS, the magnitude of the funding requirements of the project and the necessity to offer some sort of guarantee for the payment of loans and interests require the utmost cooperation and coordination of all government agencies concerned.

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

- 1) The Association is hereby authorized to:
 - a) undertake the development of Pangarap Village,
 - b) enter into agreements with consultants and contractors,
 - c) organize cooperatives and other business ventures, and

- d) coordinate with other government agencies to assure the integrated development of Pangarap Village into a viable human settlement project.

2) The Central Bank of the Philippines is hereby directed to approve the entry of funds from abroad for the sole and exclusive purpose of funding the projects of the Association, and to provide the instrument of guarantee as may be acceptable to the Funder/Financial Broker.

3) All banking and/or lending institutions of the government, including the National Housing Authority and the Home Development Mutual Funds of the Ministry of Human Settlements, are hereby directed to grant loans and assistance to the members of the Association for the construction of houses of their lands.

All Letters of Instructions, Executive Orders, Circulars, Rules and Regulations or parts thereof that are inconsistent herewith are hereby revoked or modified accordingly.

This Letter of Instructions shall take effect immediately.

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

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

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LETTER OF INSTRUCTIONS NO. 921

To: The Minister of Natural Resources
The Director of Mines

In view of the need to generate more employment and improve the economic well-being of the inhabitants residing in the rural communities through the exploration, development and exploitation of mineral deposits, more particularly non-metallics, as a cottage industry, the Director of Mines may grant mines special permits to duly qualified applicants upon compliance with the requirements that shall be provided in the rules and regulations to be promulgated embracing areas which are now banned from mining operations and those which may later be closed to mining activities.

The Minister of Natural Resources shall, upon the recommendation of the Director of Mines, promulgate such rules and regulations to implement this Letter of Instructions which shall be in force and effect upon approval by the President.

All heads of government agencies/offices whose functions are affected by this Letter of Instructions are hereby directed to coordinate and/or cooperate with the Minister of Natural Resources and/or the Director of Mines in the implementation of this Letter of Instructions.

Done in the City of Manila, this 30th day of August, in the year of Our Lord, nineteen hundred and seventy-nine.

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

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LETTER OF INSTRUCTIONS NO. 924

To: The Minister of Energy

To further accelerate the discovery and development of indigenous oil and other energy resources which are vital to the country's economic survival and development, the Ministry of Energy, which is responsible for the execution of oil service contracts and other energy service and operating contracts, through the Bureau of Energy Development, is hereby authorized to dispense with the inclusion in oil service contracts and other service/operating contracts for the exploration, development, or utilization of indigenous energy resources of the conditions prescribed in Presidential Decree No. 1585 dated June 11, 1978.

Done in the City of Manila, this 30th day of August, in the year of Our Lord, nineteen hundred and seventy-nine.

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

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LETTER OF INSTRUCTIONS NO. 925

**RELATIVE TO THE ISSUANCE OF CASH DISBURSEMENT
CEILINGS FOR GOVERNMENT OPERATIONS**

TO: The Standing Committee of the Cabinet
The Minister of Economic Planning
The Minister of the Budget
All Ministers and Heads of Bureau/Office/Agency

of the National Government, including
State Universities and Colleges
The Chairman, Commission on Audit
The National Treasurer
The Regional Directors, MPW, MPH and MTC

WHEREAS, Cash Disbursement Ceilings are issued in order to ensure that agency disbursements are within the limits of cash availability in the Treasury;

WHEREAS, by their nature, Cash Disbursement Ceilings (CDC) should expire after a specified period of time;

WHEREAS, delays in CDC transmission hamper the prosecution of both infrastructure projects and current operations;

WHEREAS, specific allocation of CDC by project is necessary to ensure effective implementation of the Infrastructure Program;

NOW, THEREFORE, I, FERDINAND E. MARCOS, do hereby issue the following instructions to improve upon the CDC process, in the interest of facilitating government operations and project implementation, while maintaining adequate cash control in the Treasury:

1.0.0 *Infrastructure Program*

1.1.0 *Preparation and Contents*

1.1.1 The NEDA Committee on Infrastructure shall prepare the infrastructure program of an incoming year no later than October 15 of the immediately preceding year. The Standing Committee of the Cabinet shall review the infrastructure program and shall submit its comments and recommendations to the President not later than November 15. The Minister of the Budget shall release obligational authority and CDC on peso costs of the infrastructure program for the entire year within three (3) weeks of the President's approval.

1.1.2 The infrastructure program and the fund release documents shall contain the quarterly cash requirements of individual projects corresponding to the schedule of payment for work accomplished during the quarter or for prior year's accomplishments. These shall be determined by the MPW, MPH or MTC as the case may be, with the participation of their respective planning and finance officers and in coordination with NEDA, the Treasury and the Ministry of the Budget.

1.1.3 The infrastructure program shall include adequate lump sums to cover the following requirements that are not identified by projects: (a) payments of accounts payable for work accomplished in prior years which are not otherwise listed, including payments of

amounts retained to answer for defects/damages on completed projects, (b) revalidation of lapsed CDC, and (c) unused portions of allotments released in previous years. Charges to these lump sums shall be considered by the Standing Committee of the Cabinet on the basis of a comprehensive list prepared by MPW, MTC or MPH, as soon after the beginning of the year as possible.

1.2.0 *Fund Release Schedule*

1.2.1 Immediately after the President's approval of the infrastructure program and upon the request of the Ministry concerned, the Minister of the Budget shall release in advance of the budget year, (a) all funds specifically provided for preliminary and/or detailed engineering work and (b) the equivalent of up to five percent (5%) of the total CDC requirements for the budget year for new projects wherever such engineering work has not as yet been undertaken. These releases shall be charged to the infrastructure program of the immediately preceding year, which shall specifically provide for such costs. Likewise, the infrastructure program of the budget year shall provide for such requirements of the following year.

1.2.2 Within ten days from receipt of the CDC from the Ministry of the Budget, the Ministries concerned shall issue sub-CDC specifying therein the covered projects, to their respective Regional Offices which in turn shall issue within five days sub-CDC to their respective District Offices, likewise specifying the covered projects, in order to effect prompt payments of accounts in accordance with existing laws, policies and accounting and auditing rules and regulations.

1.2.3 The Central Office of the Ministry of the Budget shall immediately send copies of the comprehensive CDC releases and any subsequent releases thereafter, to its Regional or District Offices for monitoring purposes, as well as to the Assemblymen and Governors concerned, as basis of checking the progress of agency releases of sub-CDC and of project implementation within their respective regions.

1.2.4 The Minister of the Budget shall make such adjustments as may be necessary to see to compliance with necessary funds releases for foreign-assisted projects.

1.3.0 *Cash Disbursement Ceiling Validity Period*

1.3.1 The validity of CDC shall extend into all succeeding quarters of the same calendar year. The validity of any CDC unused as of December 31 shall automatically extend into the first quarter of the next succeeding year, but shall be used only for the payment of accounts payable incurred for project duly authorized and indicated in the unexpired CDC.

1.3.2 Agency disbursements shall be controlled on a project basis by the implementing agency such that, at any time within the year, payments shall be limited to the quarterly CDC figure plus amounts of unused CDC for the project carried over from previous quarters of the same year and as provided in item 1.3.1.

1.3.3 Unexpended or unused CDC included in the CY 1979 Infrastructure Program for irrigation and flood control works shall remain valid until June 30, 1980. The CDC schedule for such works in CY 1980 and subsequent years shall be so prepared as to provide the amounts necessary to undertake as much of the work as possible during the months of November-June.

1.4.0 *Use of Cash Disbursement Ceiling*

1.4.1 CDC shall be issued by the Ministry of the Budget by project for current and outstanding obligations (accounts payable) on the basis of the approved Infrastructure Program. In no case may CDC for current obligations intended for new construction/accomplishment be used to pay for accounts payable on work accomplished in prior years without prior approval of the Minister of the Budget.

1.4.2 When conditions warrant, CDC for new and outstanding obligations (accounts payable) contained in the approved Infrastructure Program may be realigned to facilitate implementation of projects, within the established CDC ceiling of the Ministry concerned, subject to approval of the Standing Committee of the Cabinet. Such realignment shall be submitted not oftener than once a quarter to be made effective on the next succeeding quarter, except for the last quarter when realignment shall no longer be allowed. These realignments shall be formalized by the Minister of the Budget through the issuance of a revised comprehensive CDC.

1.4.3 CDC shall be issued for accounts payable as of each year-end on the basis of a list of creditors, indicating the amounts and dates when obligations were incurred. The creditor listing shall be identified by project and in no case may total payments of accounts for anyone project exceed the obligational authority initially released for said projects.

1.4.4 CDC shall be issued for retentions made to answer for defects/damages on the basis of list of creditors indicating the amounts and dates and when/what corresponding projects were completed.

1.4.5 CDCs which expire in a given year may be revalidated in a subsequent year if they were intended to settle accounts payable, chargeable to lump-sum CDC provided for accounts payable as reflected in the Infrastructure Program and as provided in item 1.1.3 herein.

1.4.6 From the CDC released for the project, rental of equipment utilized in project implementation shall be deducted in accordance with the provisions of existing Public Works laws, rules and regulations and shall be remitted immediately to the Bureau of Equipment which in turn shall deposit the same with the National Treasury as General Fund income pursuant to P.D. No. 711: *Provided*, That adjustments shall immediately be made if the amounts so deducted are in excess of rentals computed on the basis of standard rates and actual hours used.

1.4.7 The CDC actually released for projects shall be used solely for project implementation. An amount not exceeding five percent (5%) may be for direct engineering expenditures incidental thereto that must be reflected in the individual project program of work. These shall not be used for other projects, general agency activities or overhead, or for other purposes. Such engineering expenditures shall be reduced to the extent of expenses for personal and other services utilized for project implementation of the agencies concerned.

1.5.0 *Reversion of Appropriations*

1.5.1 The work accomplishments of the infrastructure program shall be reviewed at the end of each year by the Commission on Audit, who shall see to the reversion to the General Fund of all unused releases of obligational authority.

1.5.2 Accounts payable shall be so classified by the Commission on Audit as to distinguish between accounts payable for work already completed and accounts payable for valid contracts which pertain to work scheduled to be done after the year-end.

1.6.0 *Monitoring*

1.6.1 Local government units and community organizations, samahang nayon, electric cooperatives, irrigation associations, local water districts, and other farmer-based associations/cooperatives shall monitor the progress of implementation of government projects in cooperation/coordination with the Ministry of Local Government and Community Development, to ensure the efficient and effective utilization of government funds and property.

1.6.2 The National Treasury shall maintain a record of payments for each individual project and shall submit a report on such payments to the Minister of Finance, the Minister of the Budget and the implementation Ministries concerned.

2.0.0 *Other Capital Outlays*

2.1.0 The capital outlays implemented by agencies of govern-

ment other than MPW, MPH and MTC shall be governed by the provisions of this Letter which are applicable to infrastructure projects.

3.0.0 *Current Operating Expenditures*

3.1.0 The salary of persons occupying permanent positions appearing in the current year's *Personal Services Itemization* (PSI), may be paid without the need for CDC.

3.2.0 CDC issued for current operating expenditures from the First to the Third Quarters shall automatically carry over in effectivity and shall lapse only at the end of the year.

3.3.0 CDC issued in the Fourth Quarter of a given calendar year shall lapse at the end of the First Quarter of the succeeding year. Any amount available in such unused CDC may be used by the agency for the payment of Accounts Payable incurred during the budget year and outstanding as of December 31.

3.4.0 Accounts payable of the budget year not paid out of the Fourth Quarter allotment carried over into the next year shall continue to be subject to the existing requirement calling for the issuance of a CDC only when supported by a list of creditors and the corresponding amounts.

3.5.0 The Bureau of Internal Revenue is authorized to withdraw funds for the Treasury without the need for a Cash Disbursement Ceiling, for purposes of refunding the excess amount of withholding tax deducted from payments made to contractors undertaking government projects and of refunding excess income tax payments.

4.0.0 *Concluding Provisions*

4.1.0 LOI No. 862 dated May 22, 1979 is hereby revoked.

4.2.0 This Letter shall take effect beginning with CDC applicable to the Fourth Quarter of 1979 but otherwise shall immediately be effective.

4.3.0 Rules and regulations shall be issued by the Minister of the Budget.

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

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

LETTER OF INSTRUCTIONS NO. 926

TO: Central Bank of the Philippines
Board of Investments
Bureau of Customs
Philippine Coconut Authority
Philippine National Bank
Development Bank of the Philippines
National Investment & Development Corporation
Other Government Agencies/Instrumentalities and
Government-Owned/Controlled Financial Institutions
Concerned

Subject: *Rationalization of the Coconut Oil Milling Industry*

WHEREAS, it is the declared policy of the State to promote the rapid integrated development and growth of the coconut and other palm oils industry in all its aspects and to ensure that the coconut farmers become direct participants in, and beneficiaries of, such growth and development;

WHEREAS, the coconut industry is one of the major earners of foreign exchange for the country and, therefore, its continued survival, growth and development is vital to the national economy;

WHEREAS, a major sector of the coconut industry, the coconut oil milling industry, is presently in a state of financial distress brought about, among others, by:

- a) The overcapacity of the existing coconut oil mills;
- b) The cutthroat competition for copra;
- c) The inefficient and uneconomic flow of copra supply from island to island without regard to the respective locations of the coconut oil mills;
- d) The resultant poor competitive position of Philippine copra, coconut oil and their by-products in the international market for fats and oils;

WHEREAS, the state of financial distress of the coconut oil milling industry is of such serious nature that most, if not all, of the persons or entities engaged in the business of coconut oil milling will be rendered insolvent to the ultimate prejudice of the coconut farmers, in particular, and of the country, as a whole;

WHEREAS, extensive studies indicate that the most feasible and practicable solution to the problems confronting the coconut oil

milling industry is for the coconut farmers and the oil millers to pool their resources and coordinate their copra selling and buying, oil milling and marketing efforts, and thereby realize optimum benefits resulting from economies of scale;

WHEREAS, the appropriate vehicle to implement such a cooperative endeavor is a private domestic corporation jointly owned or controlled by the coconut farmers and the oil millers;

WHEREAS, the coconut farmers, through the Philippine Coconut Producers Federation (COCOFED), and entities owning/controlling a substantial portion of the country's entire copra milling capacity have signified their willingness and determination to join in such cooperative endeavor, with a private domestic corporation as the vehicle therefor;

WHEREAS, it is to the national interest that Government provide concrete assistance and support to the cooperative endeavor;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President/Prime Minister of the Philippines, by virtue of the powers vested in me by the Constitution and by law, do hereby declare, direct and order that:

SECTION 1. *Declaration of National Policy* — It is hereby declared to be the policy of the State to rationalize the coconut oil milling industry and insure its survival, viability and stability and thereby assure the consuming countries of an adequate and continuous supply, at fair and reasonable prices, of copra, coconut oil and their by-products; that this policy can be expeditiously and efficiently realized by the pooling of the resources and the coordination of the copra buying and selling, oil milling and marketing efforts of both the coconut farmers and the oil millers in order that the optimum benefits resulting from economies of scale may be realized; and that the most appropriate vehicle for such pooling and coordination is a joint venture company between the coconut farmers and the oil millers.

SECTION 2. *Organization of the Cooperative Endeavor* — The bank acquired for the benefit of the coconut farmers pursuant to the provisions of P.D. 755, in its capacity as the investment arm of the coconut farmers thru the Coconut Industry Investment Fund (CIIF) created by P.D. 1468, is hereby directed to invest, on behalf of the coconut farmers, such portion of the CIIF as may be necessary in a private corporation which shall serve as the instrument to pool and coordinate the resources of the coconut farmers and the oil millers in the buying, milling and marketing of copra and its by-

products under the following guidelines:

- a) The coconut farmers shall own or control at least fifty percent (50%) of the outstanding voting capital stock of the private corporation thru the CIIF and/or corporations owned or controlled by the coconut farmers thru the CIIF,
- b) The private corporation authorized to be organized and the bank acquired for the benefit of the coconut farmers shall determine which of the domestic coconut mills are in a position to better promote and successfully pursue the objectives of the cooperative endeavor ("Participating Mills") and shall enter into appropriate contracts with such domestic coconut mills for their participation either as an operating mill and/or affiliate or subsidiary under such terms and conditions as said corporation and bank may deem beneficial and necessary to carry out the intent and purpose of the contemplated cooperative endeavor; and
- c) The private corporation authorized to be organized and the Participating Mills shall be entitled to Government support and assistance upon certification by the bank acquired for the benefit of the coconut farmers that the said private corporation owns or controls, either directly or indirectly, or under such contractual arrangements as it may deem necessary and beneficial, coconut mills with an aggregate capacity of at least 6,000 metric tons per day of copra.

SECTION 3. *Prohibitions* — No government agency or instrumentality shall hereafter authorize, approve or grant any permit or license to establish, import and/or operate any coconut oil mill in addition to those now in operation in the country. In the event that there is a need to establish a new coconut oil mill, or to expand the capacity of an existing mill, or to relocate an existing mill, or to upgrade the efficiencies of an existing mill in order to fully and economically exploit the available copra in a particular locality or region and/or prevent the uneconomical and wasteful flow of the supply of copra from one island to another, the private corporation authorized to be organized shall have the priority to establish and operate such new mill, or to expand the capacity, upgrade the efficiency or relocate the mills owned or controlled by it or by any mill certified by it as a Participating Mill.

SECTION 4. *Financial Borrowings* — All financial borrowings of the private corporation authorized to be organized as well as of any Participating Mill to finance their respective capital expenditures including purchase of spare parts and inventories shall be expedi-

tiously and promptly approved, and such borrowings are hereby declared exempt from the restrictions/limitations: on single borrower's limitations; and on loans to corporations with interlocking directors, officers, stockholders, related interests and subsidiaries and affiliates, it being understood that such lendings are in effect made to the coconut industry as a whole and not to any particular individual or entity.

SECTION 5. *Rediscounting* — Negotiable instruments issued by the private corporation authorized to be organized or, by a Participating Mill, as the case may be, to finance its inventories shall be eligible for rediscounting with the Central Bank at the most preferred rates, and such rediscounting facilities shall be available to them promptly to minimize carrying costs for their inventories.

SECTION 6. *Foreign Exchange Allocation* — Upon certification by the bank acquired for the benefit of the coconut farmers under P.D. 755 that it has acquired thru the CIIF the interests of a foreign investor in corporations involved in the coconut industry and that such corporations shall participate in the cooperative endeavor herein contemplated and that furthermore, such acquisition of the interests of such foreign investor will result in the reduction in the outflow of foreign exchange in the form of dividends, profits and like remittances arising from the exploitation of the coconut industry by foreign investors, the repatriation of the investment of the said foreign investor shall be immediately approved and the required foreign exchange therefor be made available to effect the immediate repatriation thereof in order to assure foreign investors of the policy of the Government to honor, and abide by, its guarantee and commitment as declared in Republic Act Nos. 5186 and 6135 and other laws that authorized and registered foreign investments will be allowed to be repatriated.

SECTION 7. *Financial Assistance* — All government-owned or controlled financial institutions, including, but not limited to, the Philippine National Bank, the Development Bank of the Philippines and the National Investment and Development Corporation, which have outstanding defaulted loans in favor of any Participating Mill certified to as such by the private corporation authorized to be organized shall extend the maturity of such loan (s), at preferential interest rates, for such period(s) and under such terms and conditions as may be necessary and appropriate under the circumstances, including, but not limited to, the waiver of surcharges, attorney's fees, penalties and similar changes, as would assure the viability and stability of the private corporation authorized to be organized.

SECTION 8. *Coordinating Agency* — The Philippine Coconut Authority acting thru its Chairman is hereby directed and ordered:

- a) To act as the coordinating agency and insure that the

Government assistance and support herein ordered to be given to the cooperative endeavor of the coconut farmers and the oil millers are fully extended and promptly complied with; and

- b) To study and recommend, for approval of the President, additional feasible measures which would further insure the survival, development, growth and success of the coconut oil milling industry, which measures may include, but not limited to, the channeling of all exports of copra and/or coconut oil and their by-products through the private corporation authorized to be organized.

Done in the City of Manila this 3rd day of September 1979, in the Year of Our Lord, Nineteen Hundred and Seventy-Nine.

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

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LETTER OF INSTRUCTIONS NO. 928

RELATIVE TO THE IMPLEMENTATION OF A SPECIAL CREDIT PROGRAM FOR RURAL WORKERS INCLUDING SMALL FISHERMEN

TO: MINISTER, MINISTRY OF LABOR
MINISTER, MINISTRY OF NATURAL RESOURCES
PRESIDENT, LAND BANK OF THE PHILIPPINES

WHEREAS, on May 21, 1979 the Ministry of Labor through the Rural Workers Office, and the Land Bank of the Philippines concluded a Memorandum of Agreement establishing a Loan Guarantee Fund Scheme providing credit to rural workers and their organizations;

WHEREAS, pursuant to said agreement, the Rural Workers Office shall put up a fund amounting to TWO MILLION (P2,000,000.00) PESOS to be administered by the Land Bank of the Philippines, and the latter in turn shall extend an exposure equivalent to two times the amount so deposited for the purpose of granting loans to qualified rural workers and their organizations;

WHEREAS, there is a need to strengthen, expand and supplement the Loan Guarantee Fund Scheme in support of Biyayang Dagat '79 Program to effectively implement the objectives of the New Society to uplift the country's subsistence rural workers, more especially the small fishermen;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines do hereby order that:

1. The Land Bank of the Philippines shall increase its available loanable funds from the current two times (2x) exposure to ten times (10x) vis-a-vis the same amount of Guaranty Fund put up by the Rural Workers Office, thereby increasing the loanable funds from FOUR MILLION (P4,000,000.00) to TWENTY MILLION P20,000,000.00) PESOS.

2. The Ministry of Labor through the Rural Workers Office shall extend to the maximum the coverage of qualified rural workers organizations including but not limited to small fishermen and their organizations.

3. The Ministry of Natural Resources shall coordinate with the Ministry of Labor and the Land Bank of the Philippines through the Fishery Industry Development Council and the Bureau of Fishery and Aquatic Resources in the implementation of this Special Credit Program for Rural Workers including small fishermen as a supplement to its Biyayang Dagat '79 Fisheries Credit Program.

The Memorandum of Agreement of 21 May 1979 is hereby modified accordingly to include and implement the directives under this Letter of Instructions.

This order takes effect immediately.

Done in this 8th day of September 1979, in the City of Manila, Philippines.

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

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LETTER OF INSTRUCTIONS NO. 929

TO: THE MINISTER, MINISTRY OF LABOR
THE MINISTER, MINISTRY OF NATURAL RESOURCES
THE MINISTER, MINISTRY OF NATIONAL DEFENSE
THE MINISTER, MINISTRY OF PUBLIC WORKS

WHEREAS, the Fishing Industry contribute 4.9 percent to the Philippines gross national product;

WHEREAS, some 2.2 Million Filipinos depend directly on the fishing industry for livelihood;

WHEREAS, municipal fishing contributes 60 percent to total fish production and employs approximately half a million fishermen;

WHEREAS, several area studies reveal that more than half of the population of fishermen and their families live in poverty; income from fishing of the municipal fishermen is relatively low due to seasonality and often subject to vagaries of weather and other conditions; there is evident depletion of our natural resources due to pollution, illegal and destructive fishing methods; municipal fishermen are most often unorganized and do not effectively derive benefits from the existing government programs;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines do hereby direct the following for the implementation of the agencies concerned:

1. The Minister of Labor shall accelerate the formation and organization of small fishermen's associations in coordination with the Bureau of Cooperative Development and the Bureau of Fisheries and Aquatic Resources in order to strengthen their capabilities to benefit from existing government programs;

2. The Minister of National Defense jointly with the Minister of Natural Resources and the Minister of Public Works shall conduct intensive campaigns against illegal fishing, illegal construction of fishponds, dikes, fish pens, and the like;

3. The Minister of Natural Resources upon the recommendation of the Director of the Bureau of Fisheries and Aquatic Resources shall deputize small fishermen who are officials of duly recognized and registered fishermen associations as fish wardens to guarantee and ensure the proper enforcement of all fishery laws, rules and regulations;

This Letter of Instructions shall take effect immediately.

Done in the City of Manila, this 8th day of September, 1979.

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

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LETTER OF INSTRUCTIONS NO. 932

TO: The Minister of Finance
 The Minister of Human Settlements

The Minister of the Budget
To All Concerned

WHEREAS, as a measure to promote rationalization of land use, to regulate land utilization, ownership and development of urban lands to minimize land speculation, and to make available capital which heretofore has been unproductively tied to land, I have issued Proclamation No. 1893 declaring the entire Metropolitan Manila Area as an Urban Land Reform Zone;

WHEREAS, the declaration of Metropolitan area as Urban Land Zone should now be pursued vigorously by implementing programs and projects such as land acquisition, urban renewal, site upgrading, all of which require massive financial support by the government;

WHEREAS, in view of the very favorable international market prices for logs resulting in windfall prices to log exporters, I have issued Executive Order No. 558, to restore the export duty on logs to the extent of 20% *ad valorem*, all within the context of progressive taxation, and as a qualitative measure to implement more effectively the domestic processing of this natural resources;

NOW, THEREFORE, pursuant to the powers vested in me by law, I, FERDINAND E. MARCOS, President of the Philippines do hereby order and direct;

1. The immediate and vigorous implementation of Executive Order No. 558, imposing a 20% *ad valorem* duty on log exports, including the speedy processing of the required export papers; and
2. All collections from the export levy amounting to about P125 million be used to fund programs and projects arising from the proclamation of Metropolitan Manila as an Urban Land Reform Zone.

Done in the City of Manila, this 11th day of September, in the year of Our Lord, nineteen hundred and seventy-nine.

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

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LETTER OF INSTRUCTIONS NO. 933

TO: The Minister of Industry and Chairman of the
Board of Investments

The Minister of Energy
The Minister of Finance
The Governor, Central Bank of the Philippines
The Chairman, Development Bank of the
Philippines
The President, Philippine National Bank

WHEREAS, in view of the energy crisis, there is a need to encourage industries producing or utilizing non-conventional sources of energy;

WHEREAS, it is a known fact that in view of the increasing crude oil prices, non-conventional sources of energy as well as industries using such form of energy as feed stock would be increasing in demand;

WHEREAS, to encourage investments in these areas, the package of incentives available under Republic Act No. 5186, Republic Act No. 6135 or Presidential Decree No. 1159, should be extended to investors and enterprises in these activities;

WHEREAS, P.D. No. 1584 authorizes the President to extend the period of availment of incentives and/or increase rates of tax exemption in meritorious cases of particular firms registered under the aforementioned investment incentives acts;

WHEREAS, P.D. 1395 likewise authorizes the President to grant exemption from the application of said law;

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 that:

1. An Energy Priorities Program be included as pioneer preferred areas of investment in the priorities plans regularly prepared by the Board of Investments (BOI).
2. The Energy Priorities Program shall initially include the following:
 - a. Manufacture of Mini-Hydro Turbine Generators
 - b. Alcohol Production for fuel with or without integration with agricultural production of raw materials therefor
 - c. Manufacture of Solar Water Heaters
 - d. Manufacture of Standardized Biogas Equipment

- e. Power production using non-conventional fuels (biomass, agricultural wastes, sawmill wastes) including handling activities and facilities related thereto
 - f. Conversion to coal, geothermal and other non-conventional fuels subject to such guidelines to be formulated with the Ministry of Energy.
3. The Minister of Industry and Chairman of the Board of Investments in coordination with the Minister of Energy shall determine the activities to be listed in the Energy Priorities Program.
 4. The Minister of Industry and Chairman of the Board of investments shall adopt the appropriate measures to facilitate registration of projects under the said Program. For this purpose, the Board of Investments may waive the usual BOI procedural requirements embodied in its rules and policies to facilitate registration of projects under the Program.
 5. Any project registered under the said Program, in addition to the incentives provided for under the law of registration i.e., R.A. 5186 or R.A. 6136 or P.D. 1159, shall be exempt from provisions of P.D. 1395.
 6. All government-owned or controlled financing institutions such as but not limited to, the Central Bank of the Philippines, the Development Bank of the Philippines, the Philippine National Bank, are hereby directed to relax their collateral requirements, rediscounting policies, and other lending policies and requirements in favor of enterprises registered under the Program.
 7. The Minister of Finance shall adopt measures to enable users of products manufactured by enterprises registered with the BOI under the Energy Priorities Program to avail of tax incentives, including allowable deductions from taxable income, for a portion of the acquisition cost of such products, in order to encourage the use of such energy saving or energy efficient products.

DONE in the City of Manila this 12th day of September in the year of Our Lord, nineteen hundred and seventy-nine.

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

LETTER OF INSTRUCTIONS NO. 937

DIRECTING THE PARTICIPATION OF THE NATIONAL
GOVERNMENT IN THE PAG-I.B.I.G. HOUSING PROGRAM

TO: The Minister of Human Settlements
The Minister of Local Government
and Community Development
The Minister of the Budget
The President, National Home Mortgage
Finance Corporation
All Ministers and Heads of Bureaus, Offices and Agencies of
the National Government, including State Universities and
Colleges
All Presidents/Heads of Government Owned or Controlled
Corporations

WHEREAS, it is the objective of government to support low-cost financing for Filipinos seeking to build their homes;

WHEREAS, the national government wishes to provide its employees with maximum support for housing;

WHEREAS, the national government has initiated the Home Development Mutual Fund, known as PAG-I.B.I.G., a home financing program for both public and private employees;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines by virtue of the powers vested in me by law, do hereby Order and Instruct:

National Government

1. All Ministries, bureaus, offices, and agencies of the national government, including state universities and colleges, shall support the participation of government employees in the PAG-I.B.I.G. Housing Program.

2. The employer's counterpart to be paid by the national government for participating employees shall be drawn from (a) equity investment funds scheduled for the National Home Mortgage Finance Corporation, for 1979 requirements, and (b) from the Salary Adjustments Fund for CY 1980 requirements. The CY 1980 national government counterpart is hereby declared part of the scheduled increases in the compensation of government employees.

Government Corporations

3. Government owned or controlled corporations are encour-

aged to participate in the PAG-I.B.I.G. Program, to the extent of their respective financial capabilities. The employer's contribution shall be charged to corporate funds and corporate Governing Boards shall formulate such guidelines and restrictions in the participation of their respective employees, as may be necessary to observe corporate funding constraints.

Local Government Units

4. Local government units are encouraged to participate in the PAG-I.B.I.G. Program, to the extent of their respective financial capabilities. The employer's contribution shall be charged to local government funds and the local government units concerned shall formulate such guidelines and restrictions in the participation of their respective employees, as may be necessary to observe their respective funding constraints.

Rules and Regulations

Rules and Regulations to implement the participation of government employees in the PAG-I.B.I.G Program shall be jointly issued by the Ministry of Human Settlements and the Ministry of the Budget. These rules and regulations shall contain a provision which would allow government owned or controlled corporations and local government units to limit the participation of their respective employees in the event that their finances are insufficient to cover the necessary employer's share.

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

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

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LETTER OF INSTRUCTIONS NO. 938

REACTIVATING THE COTTAGE INDUSTRIES DEVELOPMENT COUNCIL, EXPANDING ITS MEMBERSHIP AND FUNCTIONS

TO: The Chairman and Members of the Cottage Industry
Development Council
Minister of Human Settlements
Minister of Trade
Minister of Natural Resources
Minister of Industry

Chairman, Development Bank of the Philippines
Governor, Central Bank of the Philippines

WHEREAS, it is the policy of the Government to promote and increase export trade, particularly of products which are made out of indigenous raw materials and are of high labor content, in order to increase the foreign exchange earnings of the country, enhance the utilization of otherwise idle resources in the countryside, and expand the opportunities for gainful employment;

WHEREAS, it is also the policy of Government to promote rapid development of small and medium scale industries to widen the base of participation in national economic development;

WHEREAS, the export of Philippine products, particularly cottage industry products, indicate a high market potential and has been given first priority in the development of industries with high export potentials,

WHEREAS, the Philippine cottage industry today urgently needs for increased productivity and maintain competitiveness in the export market the following: infusion and new technology, syndicated marketing, ready financing, organized procurement of raw materials, more aggressive sales promotion programs;

WHEREAS, the development and promotion of the cottage industry products could be best achieved through a direct, specific and highly organized effort;

WHEREAS, it is imperative that credit scheme with liberalized collateral requirements be made available to the entrepreneurs of this industry for sustained growth.

In order to realize these objectives, you are instructed to give effect to the following:

1. The Cottage Industries Development Council be reactivated with the following additional powers and functions:
 - a. To provide the guidelines as well as the working mechanism for the integration and implementation of programs and projects for the cottage industry which have been identified as supportive of the priorities of government;
 - b. To devise a comprehensive supervised credit program with concessionary and liberal collateral and amortization schemes for cottage industry producers/entrepreneurs;
 - c. To supervise and control such a comprehensive credit program.

2. The CIDC membership be expanded to include a representative from each of the following agencies: the Ministry of Human Settlements, the Ministry of Trade, the Ministry of Industry, the Ministry of Natural Resources, the National Economic Development Authority, the Development Bank of the Philippines and the Central Bank.

3. The CIDC shall have a Technical Staff to be headed by an Executive Director, who shall be appointed by the President upon recommendation of the Council. He shall execute, administer and implement the policies, plans and measures approved by the Council and perform such functions as may be necessary to carry out specific responsibilities in connection with said plans and measures. He shall sit as an ex-officio member of the Council.

4. The Staff shall be appointed by the Executive Director subject to the approval of the Council and in accordance with the Civil Service Law. Where necessary, the services of technical personnel, including consultants, shall be contracted for by the Executive Director subject to the approval of the Council.

5. The Council may call upon any official, agent, employee, agency or instrumentality, of the Government for staff or any other assistance that may be deemed necessary to carry out the purpose of these instructions, and said agency or instrumentality of the Government shall, with the approval of the Office of the President, assign the official, agent or employee to the Center or provide the assistance requested by it.

6. To carry out its functions, the initial funding of Council Technical Staff shall be contributed by the member agencies of the Council; forty percent to be provided by the Development Bank of the Philippines and the rest to be divided equally among the Ministries and Offices concerned.

This Letter of Instructions amends Executive Order No. 313 and all other instructions and orders inconsistent with this order are hereby repealed or modified accordingly.

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

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

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LETTER OF INSTRUCTIONS NO. 950

ESTABLISHING THE COMMISSION FOR HEAVY ENGINEERING INDUSTRIES

TO: The Ministry of Industry
The Board of Investments
The Metals Industry Research & Development Center
The National Development Company
The Development Bank of the Philippines

WHEREAS, the development of heavy engineering industries is vital and fundamental to industrial growth;

WHEREAS, the Philippine heavy engineering industry is a critical factor in the implementation of the country's major industrial projects through domestic manufacture of substantial quantities of heavy equipment and heavy machinery, including earth moving equipment and construction machinery;

WHEREAS, it is the policy of the Government to provide the heavy engineering industry with all the necessary support in terms of upgraded infrastructure, utilities, and other support services,

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 the following:

SECTION 1. A Commission for Heavy Engineering Industries (hereafter referred to as the Commission) is hereby created, composed of the Minister of Industry as Chairman, and representatives from the Board of Investments, Metals Industry Research and Development Center, National Development Company, and Development Bank of the Philippines, as members. The Board of Investments shall serve as the technical staff of the Commission.

SEC. 2. The Commission shall adopt a developmental strategy for the industry to enable it to produce an average of 50% of the equipment and machinery requirements of large-scale industrial plants, within a prescribed development period.

SEC. 3. The developmental strategy shall include, among others, the immediate implementation of a local content program applicable to the machinery and equipment requirements for all major industrial projects to be implemented in the Philippines within the period from 1980 to 1985 as follows:

<i>Starting Year of Construction</i>	<i>Prescribed Local Content</i>
1980	15%
1981	20%
1982	25%
1983	30%
1984	40%
1985	50%

SEC. 4. The Commission shall formulate an action plan consisting of the immediate establishment of the following projects:

- a) Heavy Casting and Forging Complex,
- b) Heavy Machining, Fabrication, and Equipment/Machinery Assembly Complex, and
- c) Improvement of "Downstream" Fabrication Capability of the Private Sector.

SEC. 5. The effective implementation of the action plan shall take place within a viable time frame to be decided by the Commission upon the effectivity of this Letter of Instructions.

SEC. 6. All enterprises, both in public and private sectors, shall comply with the rules and regulations to be issued by the Commission in the implementation of this Letter of Instructions.

SEC. 7. The provisions of this Letter of Instructions shall take effect immediately.

DONE in the City of Manila, this 25th day of October, in the year of Our Lord, nineteen hundred and seventy-nine.

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

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LETTER OF INSTRUCTIONS NO. 953

CREATING A PRESIDENTIAL ACTION COMMITTEE ON FOOD

TO: The Ministry of Agriculture
The Ministry of the Budget
The Ministry of Finance
The Ministry of Human Settlements
The Ministry of Local Governments and Community
Development
The Ministry of National Defense
The Ministry of Natural Resources
The Ministry of Trade
The Central Bank of the Philippines
The Philippine National Bank
The Development Bank of the Philippines

The Land Bank of the Philippines
The Commission on Audit
The National Grains Authority
The Metro Manila Commission
The Food Terminal, Inc.
The Philippine Fish Marketing Authority
The Maritime Industry Authority

WHEREAS, an adequate supply of food at reasonable prices is essential to the well-being of the Filipino people, particularly in these times of rapid inflation;

WHEREAS, the normal production and marketing processes have been distorted by successive increases in the price of crude oil;

WHEREAS, the government is committed to pursue its task of ensuring a sufficient supply of food at prices that our people can afford;

WHEREAS, the above objectives can only be attained through an integrated program of production, marketing and credit participated in by both the private sector and the government.

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:

1. The creation of a Presidential Action Committee on food which shall ensure unified action by all government agencies and the private sector, supervise and monitor the implementation of programs aimed at stabilizing food supply and prices throughout the country, with priority given to fish, vegetables and fruits sold in the Metropolitan Manila area.

2. That the Presidential Action Committee on Food shall be initially composed of the following:

- a. The Minister of Agriculture as Chairman and Presidential Action Officer
- b. The Minister of Natural Resources
- c. The Minister of the Budget
- d. The Minister of Trade
- e. The Governor of the Central Bank
- f. The Deputy Minister of Human Settlements
- g. The Deputy Minister of Cooperative Development of the Ministry of Local Governments and Community Development
- h. The Chairman of the Development Bank of the Philippines
- i. The President of the Philippine National Bank

- j. The President of the Land Bank of the Philippines
- k. The Administrator of the National Grains Authority
- l. The Chairman of the Food Terminal, Inc.
- m. The General Manager of the Philippine Fish Marketing Authority
- n. The Assistant to the Governor and Chairman of the Metro Manila Commission

The above officials may be represented in the Presidential Action Committee on Food by their duly designated representatives.

3. The Presidential Action Committee on Food is empowered:

- a. to determine the strategies necessary to attain its objectives;
- b. to prepare the necessary plans and programs to effectively implement the strategies arrived at;
- c. to determine the duties and responsibilities of, and establish guidelines for all ministries and government agencies involved in the food industry;
- d. to supervise, coordinate and monitor the activities of all government ministries and agencies involved in food supply and prices;
- e. to create appropriate sub-committees on various commodities if found, and for as long as necessary;
- f. to call on the resources of all government ministries and agencies necessary to implement the strategies arrived at; and
- g. to utilize any transport and storage facilities from the government and private sectors.

All provisions of other Letters of Instructions inconsistent with this order are hereby repealed and/or amended accordingly.

This Letter of Instructions shall take effect immediately.

Done in the City of Manila, this 30th day of October, in the year of Our Lord, Nineteen Hundred and Seventy-Nine.

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

LETTER OF INSTRUCTIONS NO. 954

PROVIDING FOR THE STABILIZATION OF FISH SUPPLY AND
PRICES

TO: The Ministry of Agriculture
The Ministry of the Budget
the Ministry of Finance
The Ministry of Human Settlements
The Ministry of Local Governments & Community Development
The Ministry of National Defense
The Ministry of Natural Resources
The Ministry of Trade
The National Economic and Development Authority
The Central Bank of the Philippines
The Philippine National Bank
The Development Bank of the Philippines
The Land Bank of the Philippines
The Commission on Audit
The Metro Manila Commission
The Food Terminal, Inc.
The Philippine Fish Marketing Authority
The Maritime Industry Authority

WHEREAS, fish is a basic component of the Filipino diet and an essential source of protein.

WHEREAS, fish supply and prices fluctuate wildly due to the seasonality of fish supplies, the long-standing inefficiencies in the fish marketing system, and the lack of adequate institutional credit for fish producers and fish traders;

WHEREAS, there is a pressing need for concerted action on the part of government and the private sector to stabilize fish production, streamline the fish marketing system, and provide adequate production and marketing credit.

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 that:

1. The Food Terminal, Inc. (FTI) and the Philippine Fish Marketing Authority (PFMA) shall undertake the direct procurement of a significant portion of the total volume of fish traded daily in Metro Manila area and shall sell such fish through selected traders and/or retailers with the end in view of reducing and or stabilizing fish supply and prices;

2. The Ministry of the Budget is hereby directed to place the compensation and position structure of the PFMA under the same

classification as government corporations.

3. The Ministry of Local Governments and Community Development, through its Bureau of Cooperative Development, shall step up its organization of cooperatives among market vendors and shall coordinate the participation of all such market vendor cooperatives and consumer cooperatives in the stabilization of fish supply and prices. The Cooperative Marketing System of the Philippines (CMSP) is hereby directed to engage in the marketing of fish at reasonable prices to marketing and consumer cooperatives. The existing "Super Palengke" are hereby directed to increase their volumes of fish to be sold at reduced prices.

4. A special ad-hoc committee, to be headed by the Managing Director of the Food Terminal, Inc. shall be created to prepare and submit to the President recommendations and guidelines for the importation of frozen fish to supply the requirements of local fish canners, hotels and restaurants and other institutions and thus ease the pressure of demand on fish supplies and prices during the lean months. This committee shall consist of a representative of local fish canners, importers of canned fish, tin-plate manufacturers, fishing vessel operators, the Central Bank, and the Philippine Fish Marketing Authority.

5. The Philippine Fish Marketing Authority (PFMA) shall immediately improve all its facilities in the Navotas Fishing Port and Fish Market, particularly completing its terminal road network and providing lighting facilities in its newly-constructed wing.

6. The Philippine Fish Marketing Authority (PFMA) shall immediately undertake the accreditation of all fish producers and traders operating in the Navotas Fishing Port and Fish Market, using credit-worthiness as the one major criterion.

The PFMA, jointly with Market Administrators in public markets, shall also undertake the accreditation of all fish retailers in the public and private markets of Metro Manila.

7. The Ministry of Finance, through the Market Administrators under its supervision, and the Metro Manila Commission shall assist the PFMA in the proper accreditation of all fish retailers. They shall also assist all government and private agencies that shall hereinafter be involved in the financing of market vendors.

The Market Administrators are hereby instructed to allow the use of market stalls and/or market "puestos" as collaterals for working capital loans under this program, and to respect claims by the financial institutions on the use of these market stalls or market "puestos" in the event of foreclosure of this collateral.

8. The Ministry of the Budget shall immediately appropriate and release the amount of THIRTY-FIVE MILLION PESOS (P35,000,000) for the last quarter of 1979, as follows:

- a. TWENTY MILLION PESOS (P20,000,000) for the Land Bank of the Philippines to be used as a Guarantee and Loan Fund to cover loans granted by PNB and private banks under this new fish program, including loans to FTI and PFMA.
- b. THREE MILLION TWO HUNDRED FIFTY THOUSAND PESOS (P3,250,000) as Corporate Equity Investment in the Philippine Fish Marketing Authority, of which P1,250,000 shall be used as operating funds, and P2,000,000 for the completion of its terminal road network and lighting facilities in the Navotas Fish Market.
- c. SIX MILLION TWO HUNDRED FIFTY THOUSAND PESOS (P6,250,000) as Corporate Equity Investment in Food Terminal, Inc., of which P1,250,000 shall be used for its operating requirements and P5 million for capital outlays to support its marketing operations.
- d. ONE MILLION FIVE HUNDRED THOUSAND PESOS (P1,500,000) for the Bureau of Fisheries and Aquatic Resources, of which P1,000,000 shall be used to locate spawning grounds of bangus fry and prawn fry and P500,000 for regular surveys of fishing grounds.
- e. FOUR MILLION PESOS (P4,000,000) for the Cooperatives Development Fund of the MLGCD to be used for trading operations as well as relending to the Cooperative Marketing System of the Philippines (CMSP) under this program.

Funding for the Program shall come from the Special Activities Fund, the Corporate Equity Fund, the Social Pricing and Development Fund, from other funds and savings of the national government not otherwise appropriated.

9. For 1980, the Ministry of the Budget shall appropriate and release the total amount of NINETY-THREE MILLION PESOS (P93,000,000) as follows:

- a. EIGHTY MILLION PESOS (P80,000,000) for the Land Bank of the Philippines to be used as a Guarantee and Loan Fund to cover loans granted by the PNB and private banks under this program, including loans to FTI and PFMA.
- b. FIVE MILLION PESOS (P5,000,000) for PFMA to cover current operating expenditures under this program.

- c. FIVE MILLION PESOS (P5,000,000) for FTI to cover current operating expenditures under this program.
- d. THREE MILLION PESOS (P3,000,000) for the Bureau of Fisheries and Aquatic Resources to cover current operating expenditures for its surveys under this program.

10. The Philippine National Bank is hereby directed to provide credit lines in the total amount of EIGHTY-TWO MILLION PESOS (P82,000,000) as follows:

- a. TWENTY-THREE MILLION PESOS (P23,000,000) for Food Terminal, Inc., for fish trading and THREE MILLION PESOS (P3,000,000) for the Philippine Fish Marketing Authority.
- b. The amount of TWENTY MILLION PESOS (P20,000,000) for working capital requirements of fish producers, on a non-collateral basis.
- c. The amount of THIRTY-SIX MILLION PESOS (P36,000,000) for working capital requirements of fish traders.

The Philippine National Bank is hereby further directed to open a branch at the Navotas Fishing Port and Fish Market immediately and to temporarily set-up a mobile bank prior to the operation of such branch.

11. The Central Bank of the Philippines shall qualify for a rediscounting rate of 4% all working capital loans granted by government financial institutions and private banks to fish producers (fishing vessel operators, fishpond and fishpen operators), fish traders, fish market vendors/retailers and market vendors' credit cooperative, FTI, PFMA and CMSP which are covered by promissory notes at an interest rate not to exceed 12% per annum plus a 2% service charge.

The Central Bank is hereby further directed to seek ways and means to provide rediscounting facilities for medium and long-term loans under this program.

The Central Bank shall encourage the active participation of private commercial banks, development banks, and rural banks in the financing of fish producers and traders, particularly market vendors.

12. The Land Bank shall immediately set-up a Guarantee and Loan Fund for the last quarter of 1979 totalling TWENTY MILLION PESOS (P20,000,000) broken down as follows:

- a. ONE MILLION FIVE HUNDRED THOUSAND PESOS (₱1,500,000) to guarantee loans granted by PNB to fish producers.
- b. FIVE MILLION TWO HUNDRED FIFTY THOUSAND PESOS (₱5,250,000) to guarantee loans granted by PNB to FTI and PFMA for their fish marketing operations.
- c. TEN MILLION SEVEN HUNDRED FIFTY THOUSAND PESOS (₱10,750,000) to guarantee loans granted by private banks to market vendors.

For 1980, the Land Bank shall set-up a Guarantee and Loan Fund of EIGHTY MILLION PESOS (₱80,000,000), broken down as follows:

- a. SIX MILLION PESOS (₱6,000,000) to guarantee loans granted by PNB to fish producers.
- b. TWENTY-ONE MILLION PESOS (₱21,000,000) to guarantee loans granted by PNB to FTI and PFMA for fish marketing operations.
- c. FORTY-THREE MILLION PESOS (₱43,000,000) to guarantee loans granted by PNB to fish traders.
- d. TEN MILLION PESOS (₱10,000,000) to guarantee loans granted by private banks to market vendors.

The Land Bank Guarantee and Loan Fund shall cover 80% of the value of all working capital loans under this program.

The Land Bank shall facilitate the processing of all claims against its Guarantee and Loan Fund and shall institute appropriate procedures to encourage PNB and private banks to extend adequate credit against this program.

13. The Commission on Audit shall draw up flexible audit procedures to enable FTI, PFMA, and CMSP to match the purchasing and marketing practices of the private sector, including allowing immediate cash payments and verbal commitments for the sourcing and marketing of fish.

14. The Development Bank of the Philippines is hereby directed to accelerate the negotiations of its Third Fisheries Credit Project for the medium and long-term financial needs of fish producers such as fishing vessel operators, fish pond and fish pen operators; and to accelerate the implementation of the Asian Development Bank-assisted fish pen development project in Laguna de Bay.

15. The Ministry of Natural Resources shall set-up a permanent unit in the Bureau of Fisheries and Aquatic Resources (BFAR) to conduct regular identification, classification, evaluation and monitoring of fishing areas throughout the country. This permanent unit in the BFAR is directed immediately to undertake a survey to locate bangus and prawn spawning grounds to help alleviate the problem of lack of bangus and prawn fry.

16. The National Economic and Development Authority (NEDA) shall immediately conduct hearings with the view to reducing import duties on fishing vessels from the present rate of 30% down to 10% ad valorem and increasing import duties on yachts and other pleasure vessels from the present rate of 30% to 50% ad valorem.

17. The Maritime Industry Authority (MARINA) shall increase the quota for the importation of second-hand fishing vessels over 10 years old from the present quota of 20 vessels to 40 vessels per year. The administrator of MARINA shall create and head an ad-hoc committee involving all agencies of the government involved in the processing of applications, registration, and licensing of joint fishing ventures with foreign entities for the purpose of cutting down the number of steps in the licensing procedure in order to hasten the entry of new fishing ventures and the commissioning of additional fishing vessels for increased fish production.

18. The Southwest Command shall provide, based on consultations with fishing vessel operators, the security measures required to enable fishermen to operate safely in Southern Mindanao and Southern Palawan waters.

19. The Ministry of Agriculture shall accelerate the implementation of its rice-fish or "Palay-Isdaan" project in order to cover more areas rapidly.

In this connection, the Ministry of Agriculture is hereby authorized to establish, in coordination with the Bureau of Fisheries and Aquatic Resources, fish nurseries all over the country.

20. The Presidential Action Committee on Food, to be created under a companion Letter of Instructions, shall coordinate, supervise and monitor the activities of all the above-named agencies with regard to ensuring the estabilization of fish supply and prices.

All provisions of other Letters of Instructions inconsistent with this order are hereby repealed and/or amended accordingly.

This Letter of Instructions shall take effect immediately.

Done in the City of Manila, this 30th day of October, in the year of Our Lord, Nineteen Hundred and Seventy-Nine.

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

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LETTER OF INSTRUCTIONS NO. 958

TO: The Minister of Foreign Affairs
The Director-General, NEDA
The Minister of Trade
The Minister of Industry
The Minister of Finance
The Minister of Energy
The Minister of Natural Resources
The Minister of Agriculture
The Presidential Management Staff
The Technology Resource Center

WHEREAS, the United Nations Conference on Trade and Development (UNCTAD) adopted Resolution 127 (V) during its fifth session in Manila, which provided for the convening of a Special Session of the Committee on Economic Cooperation Among Developing Countries (ECDC) in early 1980 to examine and assess the studies carried out by the UNCTAD Secretariat pursuant to Resolution 1 (1) of that Committee;

WHEREAS, the Philippine Government is hosting the Asian Regional Meeting on ECDC in 1980 in preparation for the Special Session on ECDC;

WHEREAS, the Joint Communique of the ASEAN Foreign Ministers at their meeting in Bali, Indonesia, 28-30 June 1979, expressed support for ECDC as an important element in the establishment of the New International Economic Order (NIEO) and decided that ASEAN should study the implications of ECDC on ASEAN and the ways and means by which ASEAN can contribute to ECDC activities;

WHEREAS, the ASEAN Economic Ministers at their 8th Meeting on 7-8 September 1979, in Manila have designated the Philippines as coordinator for ASEAN on ECDC matters;

WHEREAS, the Philippine Government as coordinator for

ASEAN on ECDC matters will host an ASEAN meeting prior to the Asian Regional Meeting on ECDC for the purpose of formulating a common ASEAN position on ECDC;

WHEREAS, the Philippine Government attaches great importance to ECDC as a key element in the strategy to collective self-reliance and as an important contribution to the establishment of the NIEO;

WHEREAS, there is urgent need to formulate the Philippine position in regard to the priority areas of ECDC as indicated in the First Short Medium Term Action Plan for Global Priorities on ECDC adopted at the Fourth Ministerial Meeting held in Arusha, Tanzania in February 1979;

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

A Cabinet Council on Economic Cooperation among Developing Countries is hereby created.

The Chairman of the Council shall be the Minister for Foreign Affairs with the Director-General of the National Economic and Development Authority as Co-Chairman, the Minister of Trade as Vice-Chairman and the Minister of Industry as Co-Vice-Chairman. The other members of the Council shall be the following:

1. The Minister of Finance
2. The Minister of Energy
3. The Minister of Natural Resources
4. The Minister of Agriculture
5. The Head of the Presidential Management Staff
6. The Head of the Technology Resource Center

The Chairman of the Council shall designate other government agencies as members of the body as the need arises.

The Council shall be responsible for identifying issues pertaining to ECDC of primary interest to the Philippines and to formulate and coordinate the Philippine position on such issues.

The Council shall form an inter-agency technical group to discuss and formulate recommendations on the substantive issues of ECDC.

The Council shall establish a secretariat within the Ministry of Foreign Affairs.

The Chairman of the Council shall establish a system of hono-

raria and allowances for the inter-agency technical group.

The Chairman of the Council is hereby empowered to request any agency of the Philippine government to assist in the discharge of the duties and responsibilities of the Council and to designate such personnel, including consultants, it may require for the purpose.

The Budget Commission is hereby directed to appropriate and release the amount of ninety thousand pesos (P90,000.00) for the financial and operational requirements of the Council for the period beginning from the establishment of this Council until the convening of the Special Session of the Committee on ECDC in 1980, from the Special Activities Fund.

The Council shall formulate and adopt its implementing rules and regulations.

This Order shall take effect immediately.

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

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

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LETTER OF INSTRUCTIONS NO. 959

TO: The Commissioner, Bureau of Customs

The General Manager, Metropolitan Waterworks and
Sewerage System

The Minister, Ministry of Public Works

WHEREAS, the implementation of the Manila Water Supply Project II is essential to sustain the adequate supply of water in Metropolitan Manila and meet anticipated levels of demand;

WHEREAS, impediments in the form of delays, numerous documentation requirements, and faulty communications hamper the project's implementation;

WHEREAS, in order to facilitate the early issuance of clearances for the imported components of the project, there is a need to coordinate the activities of the Bureau of Customs and the Metropolitan Waterworks and Sewerage Authority;

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

1. The Bureau of Customs shall undertake the following activities to facilitate the importation of machinery, equipment and other material requirements for the project:

a. Issue the necessary guidelines and procedures to contractors in fulfilling all the necessary documentation requirements importation and actual release of imported items;

b. Assign the processing of import documents and other necessary papers relating to the project to specific Customs personnel to ensure the organized and smooth flow of import operations.

2. The Metropolitan Waterworks and Sewerage System shall, on its part, undertake the following:

a. Closely coordinate and monitor the activities of contractors in the acquisition and use of imported materials;

b. For this matter, verify and issue certification of actual equipment use to the Bureau of Customs;

c. Coordinate with the Ministry of Public Works to establish and implement a procedure which will shorten the time lags in screening, review and evaluation of contract bids.

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

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

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LETTER OF INSTRUCTIONS NO. 962

TO: ALL Government Ministries, Agencies and Instrumentalities,
Including the Concerned Local Government Units:

Subject: *Accelerating the Development of the Isabel, Leyte Industrial Site*

WHEREAS, it is the declared policy of the Government to enhance and encourage the diversification of industries;

WHEREAS, the government, in its effort to diversify industries, has established and developed the geothermal project at Tongonan, Ormoc City, in order to hasten regional development, specially of depressed areas of the country;

WHEREAS it is necessary to integrate the economic and industrial development plans for the Eastern Visayan region by establishing therein an industrial estate where power-intensive industries may be set up and avail of the indigenous power from the Tongonan geothermal plant;

WHEREAS, the government has decided to set up the copper smelter, phosphatic fertilizer, and aluminum smelter plants in the industrial estate so as to encourage and invite industrial, commercial, agricultural, and mining ventures into the industrial zone;

WHEREAS, in order to implement and hasten the establishment of the aforementioned projects in the province of Leyte, and to promote the eventual economic, social, and political development and industrialization of the region;

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 declare, order, direct and instruct the following:

SECTION 1. There is hereby established in the town of Isabel, province of Leyte, the Leyte Industrial Estate, hereinafter referred to as Industrial Estate. It shall comprise those areas in the vicinity of Isabel and such other additional areas which the Governor of the province of Leyte, in consultation with the Ministry of Industry, may determine.

SEC. 2. The Leyte Sab-A Basin Development Authority, hereinafter referred to as the Authority, which was created under Presidential Decree 625, shall have overall responsibility for the development of the Industrial Estate, and for that purpose, the Authority shall exercise its powers and functions and the Industrial Estate shall enjoy the privileges and benefits granted under said Decree.

SEC. 3. The Bureau of Lands, Bureau of Forestry, Bureau of Fisheries and Aquatic Resources, and the Bureau of Mines shall immediately turn over and transfer to the Authority all public and mining lands and forests within the industrial estate, including shore areas required by the Industrial Estate.

SEC. 4. The Authority is hereby empowered and instructed to acquire privately-owned lands circumscribed in the Industrial Estate by way of negotiated sales with the landowners. The acquisi-

tion cost of raw or uncultivated lands shall be ₱5,000.00 per hectare or ₱0.50 per square meter. In addition to the cost of the land, the Authority shall pay the landowners ₱25.00 for each fruit-bearing coconut tree, and, in case the tree is not fruit-bearing, one peso for each year of the age of the tree but to exceed ₱20.00 per tree. Other existing crops or semi-permanent buildings shall be compensated in accordance with their market value as fixed by the Provincial Assessor of Leyte, the provisions of Presidential Decree Nos. 76 and 464 notwithstanding.

SEC. 5. The Authority shall deputize the National Development Company (NDC), as reorganized under Presidential Decree No. 1648, to organize and manage the development of facilities required to accelerate the implementation of major industrial projects in the Industrial Estate, particularly the three priority projects, namely, the Copper Smelter, Phosphatic Fertilizer, and Aluminum Smelter projects, and other industrial projects as may be agreed upon between the Governor of the Province of Leyte and the Minister of Industry. Towards this end, the NDC shall advance to the Authority the funds needed to pay for the cost and other expenses of acquisition of the private lands and their improvements required for such projects. The Authority shall thereafter assign and cede to NDC the sites for which advances have been made.

SEC. 6. The Minister of Public Works, in coordination with the Philippine Ports Authority, shall immediately undertake the construction of a general public wharf at the Industrial Estate. He shall coordinate with the Chairman of the NDC to insure that the needs and requirements for port facilities of the three priority projects are provided.

SEC. 7. The Minister of Public Highways is hereby instructed to immediately improve the road network to the industrial estate and construct access roads to the copper smelter, phosphatic fertilizer, and aluminum smelter projects and within the Industrial Estate, as development needs may require.

SEC. 8. The Minister of Health and Minister of Education and Culture shall immediately undertake measures to provide health services and education to the members of the community which will be established in the Industrial Estate. In coordination with the Minister of Public Works, they shall construct hospitals, clinics, schools and other public service facilities or infrastructure as the needs of the community may require.

SEC. 9. The Minister of the Budget is hereby directed to immediately release to the Authority or to the National Development Company in case of the allocated sites for the copper, fertilizer and aluminum projects, such sums of money from the National Treasury, which have not otherwise been appropriated, for the

improvement of existing roads and the construction of new roads, the general public wharf, hospitals, clinics, schools, access roads to and within the Industrial Estate, and such other infrastructure, utilities, and facilities for the development of the Industrial Estate.

SEC. 10. The National Water Resources Council shall permit the diversion or appropriation of water from any public water source to the Authority for use by the Industrial Estate, free from all kinds of fees and charges under Presidential Decree No. 424.

SEC. 11. The provincial officials of Leyte and the mayors, barangay officials, and other local officials of Isabel, and other towns and cities of Leyte, are hereby directed and instructed to provide assistance to the Authority and the National Development Company in carrying out their functions and instructions.

SEC. 12. The environmental protection policies shall be observed in the development of the Industrial Estate. However, industrial projects to be located in the Industrial Estate shall be exempted from preparing and filing the Environmental Impact Statement required under Section 4 of Presidential Decree No. 1151.

SEC. 13. Owners of the lands or bonafide tenants thereof who may be dispossessed as a result of the acquisition of their lands by the Authority shall be resettled in appropriate housing sites which the Authority shall set aside for them.

SEC. 14. This Letter of Instructions shall take effect immediately.

DONE in the City of Manila, Metro Manila, Philippines, this 23rd day of November, in the Year of Our Lord, nineteen hundred and seventy-nine.

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

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LETTER OF INSTRUCTIONS NO. 964

TO: The Minister
Ministry of Industry

The Chairman
Board of Investments

The Governor
Central Bank of the Philippines

The Commissioner
Bureau of Customs

Pursuant and subject to the provisions of Section 6, subparagraph (i) and (j) of Republic Act No. 5186, the importation of vinyl-asbestos tiles shall be allowed only upon certification of the Board of Investments of the inability of BOI-registered domestic enterprises to supply the demand for the product. Henceforth, all applications for the importation of vinyl-asbestos tiles either through letters of credit, documents against acceptance or open account arrangements or any other mode of payment shall be supported by the above stated certification.

For immediate implementation.

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

(SGD. FERDINAND E. MARCOS
President of the Philippines

EXECUTIVE ORDERS

MALACANANG, MANILA

EXECUTIVE ORDER NO. 537

CREATING THE GARMENTS AND TEXTILE EXPORT BOARD,
DEFINING ITS POWERS AND FUNCTIONS, PROVIDING
FUNDS THEREFORE 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 arrangement regarding the International Trade in Textiles, also known as the Multi-Fibre Agreement;

WHEREAS, the Philippines has concluded several international trade agreements for the export of textiles and garments with other countries;

WHEREAS, there is a need to insure an equitable allocation of export quotas and authorizations to both old and new garments and textile manufacturers to maximize and spread the economic benefits to be derived from such international Agreements; and

WHEREAS, there is also a need to insure proper, orderly and expeditious 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 direct 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 Minister of Trade or his representative, as Chairman, and the Minister of Industry and the Commissioner of the Bureau of Customs or their representatives, as Members.

The Garments and Textile Export Board created under Presidential Decree No. 1440 is hereby abolished and its powers and functions as well as funds, properties, records and documents are hereby transferred to the Board herein established.

The Board shall be under the Office of the President.

SEC. 2. *Statement of Policies.*—

- a. Quota allocations shall be administered in a manner whereby no individuals or firms, whether directly, indirectly or through their affiliates, shall hold monopoly positions.
- b. New manufacturers shall be given equitable and tangible shares in the allocation of quotas.
- c. Performance must be assessed on the basis of manufacturer's in-plant capacities. Performance that could justifiably be attributed to sub-contractors may entitle such sub-contractors to compete for the quota.
- d. Quota allocations shall not be given to middlemen or traders.
- e. Partly finished garments or worked textiles shall not be imported, tagged and exported as a Philippine product under quota/restraint level.
- f. The Board, through the Commissioner of Customs and/or any of the investigating agencies of the national government as the circumstances may warrant, shall cause the examination of textile shipments, including importations of raw materials and supplies intended for the manufacture of export products, under quota/restraint level.

SEC. 3. *Powers and Functions of the Board.*—The Board shall have 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 export quotas and the flow of garments and textile exports, for monitoring purposes and in order to obtain maximum benefits from the textile negotiations

with other countries;

- d. To promulgate and implement rules and regulations to administer all international textile agreements entered into between the Republic of the Philippines and importing countries, in pursuance of the policies enumerated under Section 2 of this Order; and
- e. To fix and collect reasonable fees for the issuance of export quotas, export authorizations, export licenses and other related services, in accordance with guidelines specified in the rules and regulations.

SEC. 4. *Secretariat.*—The Board is hereby authorized to create a Secretariat to be composed of technical as well as administrative staff as may be necessary to assist the Board in the accomplishment of its responsibilities and functions under this Order. The Secretariat shall hold office in the Ministry of Trade.

The Secretariat shall be headed by an Executive Director who shall be appointed by the President of the Philippines, upon recommendation of the Chairman.

The regular professional and technical personnel of the Secretariat shall be permanent and career in status.

SEC. 5. *Powers and Functions of the Chairman.*—The Executive Director and the Secretariat shall be responsible to the Board: *Provided, however,* That the Chairman shall, in behalf of the Board, exercise direct supervision and control over them. He shall also have the power to appoint and discipline personnel of the Secretariat in accordance with law, subject to confirmation by the Board.

The Chairman shall also approve the agenda for Board meetings, convene and preside over meetings and exercise such other functions as may be delegated to him by the Board.

The Chairman shall designate an Officer-in-Charge to act as Executive Director pending appointment and qualification of an Executive Director and/or where the incumbent Executive Director has been physically and/or mentally incapacitated.

SEC. 6. *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 1979. Thereafter such sums as may be necessary to support the operation of the Board shall be included in the annual Appropriation Acts.

SEC. 7. *Per Diems.*—The Chairman and Members of the Board shall be entitled to receive a per diem of Two Hundred Fifty Pesos (P250.00) each for every meeting actually attended by them: *Pro-*

vided, That the total amount of per diems that any member may receive shall not exceed One Thousand Pesos (P1,000.00) per month.

SEC. 8. *Penalties.*—The Board is hereby authorized to prescribe appropriate penalties for violations of the rules and regulations promulgated by it pursuant to this Order.

SEC. 9. *Repealing Clause.*—This Decree repeals Presidential Decree No. 1440 as well as all laws, orders, decrees or rules inconsistent with any provisions hereof.

SEC. 10. *Effectivity.*—This Order 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-nine.

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

By the President:

(Sgd.) JACOBO C. CLAVE
Presidential Executive Assistant

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EXECUTIVE ORDER NO. 555

EXTENDING THE LIFE OF THE IRON AND STEEL AUTHORITY AND THE EFFECTIVITY OF PRESIDENTIAL DECREE NO. 272.

WHEREAS, Presidential Decree No. 272 creating the Iron and Steel Authority was promulgated on August 1973 in order to stimulate growth and promote the orderly development of the iron and steel industry;

WHEREAS, under Section 1 of Presidential Decree No. 272, it is provided that the Iron and Steel Authority shall exist for a period of five (5) years from the date of said Decree and, accordingly, the term of the Iron and Steel Authority expired on 10 August 1978;

WHEREAS, there is a need to extend the life of the Authority to enable it to fully implement its intents and objectives;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President

of the Philippines, by virtue of the powers vested in me by law, do hereby extend the life of the Iron and Steel Authority for a period of ten (10) years from 10 August 1978 and direct the Iron and Steel Authority to reconstitute itself immediately.

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

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

By the President:

(Sgd.) JACOBO C. CLAVE
Presidential Executive Assistant

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EXECUTIVE ORDER NO. 557

REDUCING THE RATES OF DUTY ON IMPORTATION OF
PRINTING EQUIPMENT, SPARE PARTS THEREOF AND
PRINTING SUPPLIES.

Pursuant to the powers vested in me by Section 401 of Presidential Decree No. 1464, otherwise known as the "Tariff and Customs Code of 1978", I, FERDINAND E. MARCOS, President of the Philippines, do hereby direct and order that:

SECTION 1. The rates of duty as provided in Section 104 of Presidential Decree No. 1464, otherwise known as the Tariff and Customs Code of 1978, pertaining to the importation of printing equipment, spare parts thereof and printing supplies are hereby reduced to ten per cent (10%) *ad valorem*.

SEC. 2. This Order shall take effect immediately.

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

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

By the President:

(Sgd.) JUAN C. TUVERA
Presidential Assistant

EXECUTIVE ORDER NO. 558

MODIFYING THE APPLICATION OF EXECUTIVE ORDER
No. 434, SERIES OF 1974, BY IMPOSING A 20% *AD VALO-*
REM DUTY ON LOG EXPORTS.

WHEREAS, Presidential Decree No. 230 was promulgated in order to induce the processing of traditional export products and encourage the exports of manufactured and semi-processed goods;

WHEREAS, in view of the foreseen balance of trade deficit and the lead time to set-up the required wood processing facilities, it is prudent to maintain a limited volume of log exports, particularly at this time of favorable world market prices;

WHEREAS, for the effective implementation of the log export phase-out, it is necessary to prescribe not only quantitative restrictions but also fiscal disincentives as well;

NOW, THEREFORE, pursuant to the powers vested in me by Section 515 of Republic Act No. 1937, as amended by Presidential Decree No. 230 and No. 1464, I, FERDINAND E. MARCOS, President of the Philippines, do hereby direct and order that:

SECTION 1. Executive Order No. 434 which temporarily lifted the levying, assessing, and collecting of export tax and premium duty of wood products in accordance with the provisions of Section 514, Title III, Book I of Republic Act No. 1937, as amended, is hereby revised and modified such that the following product be now subject to the payment of export duty, as follows:

Logs, including poles 20% *ad valorem*

SEC. 2. This Order shall take effect immediately.

Done in the City of Manila, this 6th day of September, in the year of Our Lord, nineteen hundred and seventy-nine.

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

By the President:

(Sgd.) JACOBO C. CLAVE
Presidential Executive Assistant

BATAS PAMBANSA

REPUBLIC OF THE PHILIPPINES
BATASANG PAMBANSA

SECOND REGULAR SESSION

[BATAS PAMBANSA BLG. 36]

AN ACT IMPOSING AN ENERGY TAX ON ELECTRIC POWER
CONSUMPTION.

Be it enacted by the Batasang Pambansa in session assembled:

SECTION 1. *Energy Tax on Electric Power Consumption.*

In line with the objective of conserving energy and promoting efficient utilization thereof, there is hereby imposed, levied, and collected a tax on the monthly electric power consumption of every residential customer of electric power utilities, determined in accordance with the following schedule:

<i>If the Monthly KWH Consumption is</i>	<i>The tax shall be</i>
Not over 650 kilowatt-hours	Exempt
Over 650 kilowatt-hours but not over 1,000 kilowatt-hours	₱0.10 per kilowatt-hour in excess of 650 kilowatt-hours
Over 1,000 kilowatt-hours but not over 1,500 kilowatt-hours	₱35.00 plus ₱0.20 per kilowatt-hour in excess of 1,000 kilowatt-hours
Over 1,500 kilowatt-hours	₱135.00 plus ₱0.35 per kilowatt-hour in excess of 1,500 kilowatt-hours

Provided, however, That in areas outside Metro Manila where the electric power rates (excluding the energy tax) are equal to or higher than the electric power rates (including the energy tax) prevailing in Metro Manila, the energy tax referred to in this section shall not apply; *Provided, further,* That in areas outside Metro Manila where the prevailing electric power rates (excluding the energy tax) are less than the prevailing electric power rates (including the energy tax) in Metro Manila, then the energy tax to be imposed in the former shall be equal to the difference or the full amount of energy tax, whichever is lower; *Provided, finally,* That the tax paid under this Act shall not be allowed as a deduction for income tax purposes.

SEC. 2. *Payment and Remittance.*—The energy tax referred to in the preceding section shall be paid to and withheld by electric utilities from their respective residential customers along with their monthly electric billings.

The owner, proprietor, operator or any person in charge of the electric utility shall, within twenty (20) calendar days after the end of each calendar month in which the tax is collected, file a true and correct return with the Commissioner on Internal Revenue in the manner or form to be prescribed by the Ministry of Finance, and remit within the same period the total amount of tax so collected.

SEC. 3. *Penalties.*—If the tax is not remitted within the prescribed period, the owner, proprietor, operator or any person in charge of the electric utility shall be liable for the amount equivalent to twenty-five *per centum* of the tax due. In case of willful neglect to file the return within the period prescribed in the preceding section, or in case a false or fraudulent return is willfully made, there shall be added to the tax or to the deficiency tax, in case any payment has been made on the basis of the return before the discovery of the falsity or fraud, a surcharge of fifty *per centum* of its amount. The amount so added to any tax shall be collected at the same time and in the same manner and as part of the tax unless the tax has been paid before the discovery of the falsity or fraud, in which case, the amount so assessed shall be collected in the same manner as the tax.

SEC. 4. *Rules and Regulations.*—The Ministry of Finance in consultation with the heads of appropriate government agencies shall promulgate the necessary rules and regulations for the effective enforcement of this Act.

SEC. 5. *Repealing Clause.*—All other laws, decrees, orders and regulations or parts thereof, which are inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 6. *Effectivity.*—This Act shall take effect immediately upon its approval.

Approved, September 7, 1979.

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[BATAS PAMBANSA BLG. 37]

AN ACT AMENDING SECTIONS 34, 45, 51 AND 72 OF THE NATIONAL INTERNAL REVENUE CODE OF 1977, AS AMENDED, BY SUBJECTING TO THE FINAL TAX CAPITAL GAINS DERIVED FROM THE SALE OF REAL PROPERTY.

Be it enacted by the Batasang Pambansa in session assembled:

SECTION 1. Section 34 of the National Internal Revenue Code of 1977, as amended, is hereby further amended by adding thereto paragraph (h) to read as follows:

“(h) The provisions of paragraph (b) of this Section to the contrary notwithstanding, net capital gains from the sale or other disposition of real property by citizens of the Philippines or resident alien individuals shall be subject to the final income tax rates prescribed as follows:

NET CAPITAL GAINS	RATES
On the first ₱100,000 or less	10%
On any amount over ₱100,000	20%

such tax shall be in lieu of the tax imposed under Section 21 of this Code: *Provided, however*, That the tax liability, if any, on gains from sales or other dispositions of real property to the government or any of its political sub-divisions or agencies or to government-owned or controlled corporations shall be determined either under Section 21 hereof or under this Section, at the option of the taxpayer; *Provided, further*, That if the taxpayer elects to report such gains in accordance with the provisions of Section 43 (b), the amount of the tax which shall be paid on each installment shall be the proportion of the tax herein imposed, which the installment payment received bears to the total selling price; *Provided, finally*, That failure on the part of the seller to pay the tax imposed herein on any gains returnable under the installment method will automatically disqualify the seller-taxpayer from paying the tax in installments and the unpaid portion of the tax shall immediately be due and demandable. The tax herein imposed shall be returned and paid in accordance with Sections 45 (c) and 51 (a) (4) of this Code.

“No registration of any document transferring real property shall be effected by the Register of Deeds unless the Commissioner or his duly authorized representative has certified that such transfer has been reported and the tax herein imposed, if any, has been paid; in case of deferred-payment sales of real property where the vendor retains title to the property, the vendee shall furnish the Commissioner with a copy of the instrument of sale within the same period prescribed for payment of the tax herein imposed.”

SEC. 2. Subparagraphs (A) and (B) of paragraph (c) of Section 45 of the National Internal Revenue Code of 1977, as amended, are hereby renumbered as Subparagraphs (1) and (2), respectively.

SEC. 3. Paragraph (c) of Section 45, as amended by the preceding Section, is hereby further amended by adding thereto a new Subparagraph (3) to read as follows:

“(3) Persons subject to the tax prescribed under Section 34(h) of this Code, shall file or cause to be filed a separate return prescribed therefor by the Commissioner within thirty (30) days following each sale or other disposition of capital assets.”

SEC. 4. Section 51 (a) of the National Internal Revenue Code of 1977, as amended is hereby further amended by adding thereto a new Subparagraph (4), prescribing the manner of payment of the tax imposed on capital gains to read as follows:

“(4) *Payment of Capital Gains Tax.*—The total amount to tax imposed under Section 34(g) and (h) shall be paid on the date the return prescribed therefor is filed by the person liable thereto: *Provided, however,* That if the seller submits proof of his intention to avail himself of the benefit of exemption of capital gains under existing special laws, no such payment shall be required; *Provided, further,* That in case of failure to qualify for exemption under such special laws and implementing rules, the tax due on the gains realized from the original transaction shall immediately become due and payable, and subject to the penalties prescribed under applicable provisions of this Code; and *Provided, finally,* That if the seller, having paid the tax, submits such proof of intent within six months from the registration of the document transferring real property, he shall be entitled to a refund of such tax upon verification of his compliance with the requirements for such exemption.

“In case the person elects and is qualified to report the gain by installments under Section 43 of this Code, the tax due from each installment payment shall be paid within thirty (30) days from receipt of such payments.”

SEC. 5. Section 72 of the National Internal Revenue Code is hereby amended to read as follows:

“Sec. 72. *Surcharges for failure to render returns; for rendering false and fraudulent returns; and for failure to file income tax returns in the proper revenue office.*—In case of willful neglect to file the return or list required under this Title within the time prescribed by law, or in case a false or fraudulent return or list is willfully made, the Commissioner of Internal Revenue shall add to the tax or to the deficiency tax, in case any payment has been made on the basis of such return before the discovery of the falsity or fraud, a surcharge of fifty *per centum* of the amount of such tax or deficiency tax. The

Commissioner shall add to the tax twenty-five *per centum* of its amount:

“(a) In case of any failure to make and file a return or list within the time prescribed by law or by the Commissioner or other internal revenue officer, not due to willful neglect, except that, when a return is voluntarily and without notice from the Commissioner or other officer filed after such time, and it is shown that the failure to file it was due to a reasonable cause, no such addition shall be made to the tax;

“(b) In case the return is filed with a person other than that mentioned in Section 45(b) and 86 of this Code; and

“(c) In case tax imposed under Section 34 (h) on capital gains realized from a deferred-payment sale where the vendor retained title to the property, or on gains on any installment payments, is not paid within the time prescribed in Section 51(a) (4) of this Code.

“The amount so added to any tax shall be collected at the same time in the same manner and as part of the tax unless the tax has been paid before the discovery of the neglect, falsity, or fraud, in which case the amount so added shall be collected in the same manner as the tax.”

SEC. 6. Any individual who realized capital gains from a sale, exchange or other disposition of real property prior to the effectivity of this Act but has not yet reported the same or a portion thereof for income tax purposes may elect to declare such gains and pay the tax thereon without penalty nor civil or criminal liability, within one (1) year from the effectivity of this Act, at the rates prescribed in Section 34(h) of the National Internal Revenue Code, as amended by this Act, in the same manner as provided therein. The Minister of Finance, upon the recommendation of the Commissioner of Internal Revenue, shall promulgate rules and regulations necessary to implement the provisions of this Section.

SEC. 7. The Minister of Finance shall, within 30 days after approval of this Act, promulgate rules and regulations to implement the provisions of this Act.

SEC. 8. This Act shall take effect upon its approval.

Approved, September 7, 1979.

[BATAS PAMBANSA BLG. 38]

AN ACT CONSOLIDATING THE PROVISIONS ON TRAVEL TAX
BY AMENDING CERTAIN SECTIONS OF PRESIDENTIAL
DECREE NO. 1183, AS AMENDED.

Be it enacted by the Batasang Pambansa in session assembled:

SECTION 1. Section 1 of the Presidential Decree No. 1183, as amended, is hereby further amended to read as follows:

“SECTION 1. There is hereby imposed, in lieu of the travel taxes levied under Section three of Republic Act No. 1478, as amended, and Section six of Republic Act No. 6141, a travel tax from: (a) all citizens of the Philippines; (b) permanent resident aliens; and (c) non-immigrant aliens who have stayed in the Philippines for more than one (1) year who are leaving the country, irrespective of the place of issuance of ticket and the form and place of payment. A travel tax of ₱1,350 shall be imposed on passengers travelling under first class passage and ₱810 for those travelling under economy class passage: *Provided, however,* That a reduced rate of ₱540 for first class passage and ₱405 for economy class passage as provided for under Republic Act Nos. 1478 and 6141 shall be imposed on those enumerated under Section 2—A of this decree.”

SEC. 2. Section 2 of Presidential Decree No. 1183, as amended, is hereby further amended to read as follows:

“SEC. 2. The following are exempted from the payment of travel tax imposed herein:

“a) Officials and employees of the Philippine Government or any of its ministries, bureaus, and instrumentalities travelling on official business;

“b) Persons whose fares are paid out of Philippine Government funds;

“c) Foreign diplomatic and consular officials and members of their staff who are duly accredited to the Republic of the Philippines including the immediate members of their families and household domestics whose entry as such has been authorized by the Philippine Government;

“d) Officials, consultants, experts and employees of the United Nations Organization and of its agencies, and those exempted under existing laws, treaties and international agreements;

"e) Personnel of multinational companies with regional headquarters at, but not engaged in business in the Philippines, and their dependents if joining them during the period of their assignment in the Philippines as certified to by the Ministry of Trade;

"f) Crew members of ships and airplanes plying international routes who are leaving the country to join their vessels or airplanes or to assume their positions therein;

"g) Filipino citizens who are permanent residents of foreign countries who have stayed in the Philippines for a period of not more than one (1) year;

"h) *Bona fide* students whose studies have been approved by the NEDA Scholarship Committee and foreign students enrolled in the Philippines and their dependents;

"i) Infants who are two years old or less;

"j) Scientists and experts of any nationality invited by the Philippine Government in the interest of science and technology;

"k) Destitutes certified to by the Ministry of Social Services and Development as such needing medical treatment not available in the Philippines as certified to by the Ministry of Health, and whose fares are paid for by private individuals, charitable institutions and organizations;

"l) United States military personnel and other United States nationals, including their dependents in proper cases as indicated hereinbelow, who are travelling on United States government-owned or chartered transport facilities or with fares expended out of United States Government funds, to wit:

"1) United States military personnel and their dependents;

"2) Filipinos in the United States Military Service and their dependents;

"3) Filipino employees of the United States Government travelling on United States Government business;

"4) U.S. State Department visitor-grantees traveling on United States Government business; and

"5) Destitute American repatriates.

"m) Persons whose travel is provided or funded by foreign governments with which the Philippine Government maintains

diplomatic relations;

“n) Those authorized by the President of the Philippines for reasons of national interest.”

SEC. 3. Section 2-A of the same decree is hereby further amended to read as follows:

“SEC. 2-A. Unless otherwise exempted under Section 2 of the same Act, a reduced rate of ₱540 for first class passage and ₱405 for economy class passage shall be imposed on the following:

“a) Filipino journalists duly accredited by the Minister of Public Information whose travel is in pursuit of journalistic assignments, as certified to by their editors;

“b) Officials and employees and government-owned and controlled corporations travelling on official business;

“c) Members of government-organized economic, scientific, educational, trade, tourism, and cultural missions and/or exhibits as certified to by the Ministry concerned;

“d) Individuals who are twelve years old or below but over 2 years of age;

“e) Those travelling under steerage class;

“f) Officials and employees of travel agencies, airline and shipping companies travelling on non-revenue tickets, discounted tickets and tickets with service fees as part of their employment contracts;

“g) Recipient of awards and grants from foreign governments, institutions and organizations as certified to by the NEDA;

“h) Those authorized by the President of the Philippines for reasons for national interest.”

SEC. 4. A new section, referred to as Section 2-B, is hereby inserted to read as follows:

“SEC. 2-B. Contract workers, their spouses and dependents 21 years of age or below, with approved employment contracts and duly certified by the Ministry of Labor shall be subject to a rate of ₱400 for first class passage and 300 for economy class passage.”

SEC. 5. Proceeds to be realized from the additional tax shall

accrue entirely to the General Fund of the National Government.

SEC. 6. All laws, decrees, orders and regulations or parts thereof, which are inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 7. This Act shall take effect immediately upon its approval.

Approved, September 7, 1979.

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[BATAS PAMBANSA BLG. 41]

AN ACT FURTHER AMENDING CERTAIN PROVISIONS OF THE
NATIONAL INTERNAL REVENUE CODE.

Be it enacted by the Batasang Pambansa in session assembled:

SECTION 1. The titles of subparagraph (B) and (C) of Section 30 (a) (1) of the National Internal Revenue Code are hereby amended to read as follows:

“(B) *Limitation of entertainment expenses for individuals.*”

“(C) *General requirements for entertainment, amusement or recreation.*”

SEC. 2. Section 30(a) (1) of the National Internal Revenue Code is hereby further amended by adding thereto a new subparagraph to read as follows:

“(D) *Substantiation required.*—No deduction shall be allowed under the preceding subparagraphs (B) and (C), unless the taxpayer substantiates with official receipts or by adequate records or by sufficient evidence corroborating his own statement (i) the amount of such expense or other item, (ii) the date and place of entertainment, amusement, or recreation, (iii) the business purpose of the expense or other items and (iv) the business relationship to the taxpayer of the persons entertained or using the facility. The Minister of Finance may by regulations provide that some or all of the preceding sentence shall not apply in the case of an expense which does not exceed an amount prescribed pursuant to such regulations.”

SEC. 3. Section 30(d) (1) (A) of the National Internal Re-

venue Code is hereby amended to read as follows:

“(A) If incurred in trade or business: *Provided, however,* That a loss representing the excess over the income, of allowable expenses and other deductions directly or proximately attributable or related to the production or earning of such income from a particular line of business or activity, shall not be allowed as a deduction from or offset against income derived from other sources; *Provided, further,* That a net operating loss sustained in a particular line of business or activity within three years after the commencement of such business or activity may, in a manner prescribed by regulations promulgated by the Minister of Finance, be carried over as a deduction from the income derived from the same particular line of business or activity for two (2) consecutive years immediately following the year such loss was sustained.”

SEC. 4. Section 36 of the National Internal Revenue Code is hereby amended to read as follows:

“SEC. 36. *Inventories.*—Whenever in the judgment of the Commissioner of Internal Revenue, the use of inventories is necessary in order to determine clearly the income of any taxpayer, inventories shall be taken by such taxpayer upon such basis as the Minister of Finance may, by regulations, prescribe as conforming as nearly as may be to the best accounting practice in the trade or business and as most clearly reflecting the income.

“If a taxpayer, after having complied with the terms and conditions prescribed by the Commissioner, uses a particular method of valuing its inventory for any taxable year, then such method shall be used in all subsequent taxable years unless:

- “(i) with the approval of the Commissioner, a change to a different method is authorized; or
- “(ii) the Commissioner finds that the nature of the stock on hand (e.g. its scarcity, liquidity, marketability and and price movements) is such that inventory gains should be considered realized for tax purposes and, therefore, it is necessary to modify the valuation method for purposes of ascertaining the income, profits, or loss in a more realistic manner; *Provided, however,* That the Commissioner shall not exercise his authority to require a change in inventory method more often than once every three years; and, *Provided, further,* That any change in an inventory valuation method must be subject to approval by the Minister of Finance.”

SEC. 5. Paragraph (m) of Section 30 is hereby amended to read as follows:

“(m) *Additional requirement for deductibility of certain payments.*—Any amount paid or payable which is otherwise deductible from, or taken into account in computing, gross income or for which depreciation or amortization may be allowed under this section and Section 29, shall be allowed as a deduction 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, Sections 54 and 93 of this Code.”

SEC. 6. Subparagraph (F) of Section 37(a) (4) of the National Internal Revenue Code is hereby amended to read as follows:

“(F) Technical advice, assistance or services rendered in connection with technical management or administration of any scientific, industrial or commercial undertaking, venture, project or scheme; and”

SEC. 7. Paragraph (b) of Section 45 of the National Internal Revenue Code is hereby amended to read as follows:

“(b) *Where to file.* Except in cases where the Commissioner otherwise permits, the return shall be filed with the Revenue District Officer, Collection Agent, or duly authorized Treasurer of the municipality in which such person has his legal residence or principal place of business in the Philippines, or if there be no legal residence or place of business in the Philippines, then with the Office of the Commissioner of Internal Revenue.”

SEC. 8. Paragraph (f) of Section 53 of the National Internal Revenue Code is hereby amended to read as follows:

“(f) The Minister of Finance may, upon recommendation of the Commissioner of Internal Revenue, require also the withholding of a tax at appropriate rates not to exceed thirty-five *per centum* on amounts payable or Paid to persons (natural or juridical) residing in the Philippines by the same persons mentioned in paragraph (b) (1) of this section which shall be credited against the income tax liability of the taxpayer for the taxable year.”

SEC. 9. Section 54 of the National Internal Revenue Code is hereby amended to read as follows:

SEC. 54. *Returns and payment of taxes withheld at source.*

(a) *Quarterly returns and payment of taxes withheld.*—Taxes deducted and withheld under Section fifty-three shall be covered by a return and paid to the Revenue District Officer, Collection Agent, or duly authorized Treasurer of the city, or municipality where the withholding agent has his legal residence or principal place of business, or where the withholding agent is a corporation, where the principal office is located. The taxes deducted and withheld by the withholding agent shall be held as a special fund in trust for the Government until paid to the collecting officers. The Commissioner of Internal Revenue may, with the approval of the Minister of Finance, require these withholding agents to pay or deposit the taxes deducted or withheld at more frequent intervals when necessary to protect the interest of the Government. The return for final withholding tax shall be filed and the payment made within 25 days from the close of each calendar quarter, while the return for creditable withholding taxes shall be filed and the payment made not later than the last day of the month following the close of the quarter during which withholding was made.

“(b) *Penalties for failure to render returns; for rendering false or fraudulent returns; for non-payment or late payment of taxes withheld.*—The surcharges prescribed in Section seventy-two and the specific penalties prescribed in Section seventy-three of this Title in cases of failure to render returns, for filing false or fraudulent returns and for failure to pay tax shall apply to failure to file returns or pay the tax required under this Section. In case the taxes deducted and withheld are not paid within the time prescribed, there shall be added surcharge of five *per centum* on the amount of tax unpaid and interest at the rate of fourteen *per centum* per annum from the date the same became due until paid.

“(c) *Statement of income payments made and taxes withheld.*—Every withholding agent required to deduct and withheld taxes under Section fifty-three shall furnish each recipient, in respect to his or its receipts during the calendar quarter or year, a written statement showing the income or other payments made by the withholding agent during such quarter or year, and the amount of the tax deducted and withheld therefrom, simultaneously upon payment at the request of the payee, but not later than the 20th day following the close of the quarter in the case of corporate payee, or not later than March 1 of the following year in the case of individual payee for creditable withholding taxes. For final withholding taxes, the statement should be given to the payee on or before January 31 of the succeeding year.

“(d) *Annual returns.*—Every withholding agent required to deduct and withhold taxes under Section fifty-three shall submit to the Commissioner of Internal Revenue a reconciliation statement of quarterly payments and list of payees and income payments. In the case of final withholding taxes, the return shall be filed on or before January 31 of the succeeding year, and for creditable withholding taxes, not later than March 1 of the year following the year for which the annual report is being submitted. This returns, if made and filed in accordance with regulations approved by the Minister of Finance, shall be sufficient compliance with the requirements of Section seventy-seven of this Title in respect to the income payments.

“The Commissioner may, by regulations, grant to any withholding agent a reasonable extension of time to furnish and submit the return required in this subsection.

“(e) *Surcharge and interest for failure to deduct and withhold.*—If the withholding agent, in violation of the provisions of the preceding section and implementing regulations thereunder, fails to deduct and withhold the amount of tax required under said section and regulations, he shall be liable to pay in addition to the tax required to be deducted and withheld, a surcharge of fifty *per centum* if the failure is due to willful neglect or with intent to defraud the Government, or twenty-five *per centum* if the failure is not due to such causes, plus interest at the rate of fourteen *per centum* per annum from the time the tax is required to be withheld until the date of assesment.

“(f) *Income of recipient.*—Income upon which any creditable tax is required to be withheld at the source under Section 53 shall be included in the return of its recipient but any excess of the amount of tax so withheld over the tax due on his return shall be refunded to him subject to the provisions of Section 295; if the income tax collected at source is less than the tax due on his return, the difference shall be paid in accordance with the provisions of Section 51.”

SEC. 10. Section 86 of the National Internal Revenue Code is hereby amended to read as follows:

“SEC. 86. *Place of filing declaration and paying quarterly income tax.*—Except in cases where the Commissioner otherwise permits, the declaration shall be filed with, and the tax thereon paid to, the Revenue District Officer, or the Collection Agent, or duly authorized Treasurer of the municipality where the individual is residing or in case of a corporation, in which is

located its principal office and where its books of accounts and other data from which the return is prepared are kept; in case of an individual who has no legal residence in the Philippines, or a corporation that has no office of any kind or agency in the Philippines, then the returns shall be filed and the tax thereon paid with the Office of the Commissioner of Internal Revenue.

SEC. 11. Paragraph (c) of Section 153 of the National Internal Revenue Code is hereby amended to read as follows:

“(c) Naptha, per liter of volume capacity, fifty centavos; gasoline and all other similar products of distillation, per liter of volume capacity, sixty-two centavos: *Provided*, That on premium and aviation gasoline the tax shall be sixty-seven centavos and fifty-five centavos, respectively, per liter of volume capacity.”

SEC. 12. Paragraph (s) of Section 187 of the National Internal Revenue Code is hereby amended to read as follows:

“(s) ‘Real estate broker’ includes any person, other than a real estate salesman as hereinafter defined, who for another, and for a compensation or in the expectation or promise of receiving compensation, (1) sells or offers for sale, buys or offers to buy, lists, or solicits for prospective purchasers, or negotiates the purchase, sale or exchange of real estate or interests therein; (2) or negotiates loans on real estate; (3) or leases or offers to lease or negotiates the sale, purchase or exchange of a lease or rents or places for rent or collects rent from real estate or improvements thereon; (4) or shall be employed by or on behalf of the owner or owners of lots or other parcels of real estate at a stated salary, on commission, or otherwise, to sell such real estate or any parts thereof in lots or parcels. ‘Real estate salesman’ means any natural person regularly employed by a real estate broker to perform in behalf of such broker any or all of the functions of a real estate broker. One act of character embraced within the above definition shall constitute the person performing or attempting to perform the same as a real estate broker. But the foregoing definitions do not include a person who shall directly perform any of the acts aforesaid with reference to his own property, where such acts are performed in the regular course of or as an incident to the management of such property; nor shall they apply to persons acting pursuant to a duly executed power of attorney from the owner authorizing final consummation by performance of a contract conveying real estate by sale, mortgage, or

lease, nor shall they apply to a receiver, trustee or assignee in bankruptcy or insolvency, or to any person acting pursuant to the order of any court; nor to a trustee selling under a deed of trust. 'Real estate dealer' includes any person engaged in the business of buying, selling, exchanging, leasing, or renting property as principal and holding himself out as a full or part-time dealer in real estate or as an owner of real property or properties rented or offered to rent; *Provided, however,* That an owner of sugar lands subject to tax under Commonwealth Act Numbered Five hundred and sixty-seven shall not be considered as a real estate dealer under this definition."

SEC. 13. Section 196(j) of the National Internal Revenue Code is hereby amended to read as follows:

"(j) Air-conditioning units; *Provided, however,* That in the case of imported air-conditioning units, components and parts, there shall be levied, assessed and collected a tax equivalent to thirty-five per cent based on the landed cost thereof plus mark-up. For purposes of this subparagraph, all air-conditioning units which have not been certified by the Board of Investments as 'locally-manufactured' shall be deemed to be imported. All imported air-conditioning components and parts other than those which are of common and general use and those which are specifically authorized to be imported under the local content or rationalization program of the Board of Investments for the air-conditioning industry, shall likewise be subject to the thirty-five per cent sales tax herein imposed."

SEC. 14. This Act shall take effect immediately upon approval hereof.

Approved, September 7, 1979.

CENTRAL BANK CIRCULARS AND MEMORANDA

BANGKO SENTRAL NG PILIPINAS
(Central Bank of the Philippines)
Maynila, Pilipinas

CIRCULAR NO. 647
January 22, 1979

Pursuant to Monetary Board Resolution No. 2077, dated December 15, 1978, the following additional requirements shall govern the rediscounting of eligible papers for export financing with the Central Bank:

1. Promissory notes rediscounted with the Central Bank, which are secured by export letters of credit, shall contain a clause or rider to the effect that interest thereon shall automatically be increased in the event that the exporter fails to negotiate the export letter of credit securing the note within its life or at the maturity of the note; and
2. Upon failure of the exporter to negotiate the aforementioned export L/C, the Central Bank shall debit the clearing account of the commercial bank concerned for additional interest based on the difference between the highest rediscount rate and the rediscount rate for export financing.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 648
January 25, 1979

AMENDING SECTIONS 66 AND 67 OF THE REVISED RULES
AND REGULATIONS GOVERNING RURAL BANKS

Pursuant to Republic Act No. 265, and Republic Act No. 720, both as amended, the Monetary Board, in its Resolution No. 35, dated January 5, 1979, amended the Revised Rules and Regulations Governing Rural Banks by revoking Section 67, and by amending Section 66 to read, as follows:

“Section 66. Highest Bidder. The person offering at such sale to pay the unpaid subscription, with interest accrued,

together with expenses of advertising and costs of sale, for the smallest number of shares or fraction of a share, shall be the highest bidder. The stocks thus purchased must be transferred to him in the stock books of the bank upon payment of the amount due on unpaid subscription, together with expenses of advertising and costs of sale.

“In the event that no bid is offered, the bank shall collect from the delinquent stockholders by means of court action any amount due on any unpaid subscriptions in accordance with Section 49 of the Corporation Law (Act 1459, as amended) and Section 71 of these rules.”

“Section 67. Legal Title to and Disposition of Stock Purchased by Bank at Delinquency Sale.” (Revoked)

This Circular shall take effect immediately and any provisions of existing rules and regulations inconsistent with the foregoing are hereby revoked, amended or modified accordingly.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 649
January 26, 1979

**GUIDELINES FOR THE PROGRAM TO ASSIST RURAL BANKS
WITH REDISCOUNTING ARREARAGES**

Pursuant to Monetary Board Resolution No. 167 dated January 26, 1979, the following guidelines shall govern the implementation of the program to assist rural banks with rediscounting arrearages with the Central Bank:

Section 1. *Statement of Policy/Objectives*

To reduce arrearages of rural banks with the Central Bank and to place such rural banks in a position to adequately meet the credit requirements of the special financing programs of the government, rural banks with rediscounting arrearages with the Central Bank the non-payment of which was caused by the failure of the borrowers to pay their corresponding obligations on account of calamities or force majeure and not arising from mismanagement or irregularities in their operations, may enter into an agreement with the Central Bank for the gradual liquidation of their past due accounts through a Capital Build-Up Program and Conversion Scheme.

Section 2. *Definition of Terms*

Hereunder are the definition of terms as used in these guidelines:

- 2.1 *Supervised Credits* — shall refer to loans granted by the rural bank under the Supervised Credit Scheme, excluding CB:IBRD and IGLF loans.
- 2.2 *Borrower* — shall refer to the farmer-borrower of the rural bank engaged in rice, corn and other feedgrain production, poultry or livestock raising, fishing and fish production and other agricultural activities under the Supervised Credit Scheme.
- 2.3 *Conversion* — shall refer to the conversion of past due supervised credits of rural banks rediscounted with the Central Bank into paid-in capital of the Government in the form of preferred shares of stock issued in the name of the Development Bank of the Philippines (DBP).
- 2.4 *Calamity or Force Majeure* — shall refer to natural calamities such as floods, typhoons, drought and other fortuitous events beyond the control of the farmer-borrower.

Section 3. *Coverage*

Only past due/restructured supervised credits inclusive of accrued interest of rural bank borrowers and the corresponding past due/restructured obligations inclusive of accrued interest of rural banks with the Central Bank as of December 31, 1978 shall be covered by the program. The following are excluded from the coverage:

- 3.1 IBRD and IGLF loans;
- 3.2 Arrearages with the Central Bank of distressed and closed rural banks; and
- 3.3 Phase XI — Masagana 99 loans restructured under the Rehabilitation Program for Central Luzon and Pangasinan.

Section 4. *Qualification Requirements*

In order to be qualified to participate under this program, the rural bank must meet the following requirements:

- 4.1 The past due supervised credits must have been caused by natural calamities or force majeure.
- 4.2 The rural bank must have taken positive steps to strengthen its collection efforts.

- 4.3 The rural bank must be operating substantially in accordance with law and the rules, regulations and directives issued by the Central Bank and there are no uncorrected serious exceptions or violations, except the arrearages problem. Likewise, the rural bank officers including the directors must not have committed serious irregularities in the operations of the rural bank.
- 4.4 There is no internal dissension in the rural bank which may seriously disrupt its operations.

Section 5. *Application to Participate in the Program*

A rural bank desiring to participate in this program shall file an application with the Central Bank in the prescribed form together with the following supporting papers and documents:

- 5.1 Resolution of the board of directors authorizing the bank's participation in the program, and in case of the capital build-up program shall necessitate an increase in the bank's authorized capital, a resolution adopted in a stockholders meeting by at least 2/3 of the stockholders entitled to vote authorizing such increase.
- 5.2 A capital build-up program over a period not exceeding ten (10) years in accordance with Section 6 hereof.
- 5.3 A list of past due supervised credits of rural bank borrowers at the time of application in the prescribed form, provided that such loans were past due as of December 31, 1978, duly certified by the bank president that such loans are covered by corresponding agreement as required under Section 9 hereof.
- 5.4 Such other papers and documents as may be required by the Central Bank.

Section 6. *Capital Build-Up Program*

The capital build-up program shall provide for an equal yearly increase in the paid-in capital stock of the rural bank over a period not exceeding ten (10) years, which shall consist of the following:

- 6.1 Common shares of stock (Private) — in the amount of at least 50% of the rediscounting arrearages inclusive of accrued interest covered by the program thru the sale of common shares of stock and/or declaration of stock dividends.
- 6.2 Preferred shares (Government) — conversion of rediscounting arrearages with the Central Bank to match common shares of stock in 6.1 above.

Section 7. *Conversion Scheme*

For every additional private paid-in capital put up by the rural bank, an equivalent amount of rediscounting arrearages shall be converted into preferred shares to be issued in the name of the Development Bank of the Philippines (DBP).

Section 8. *Increase in Authorized Capital*

In case the capital build-up program will necessitate an increase in the authorized capital, the rural bank shall effect an amendment of its Articles of Incorporation to increase such authorized capital stock to an amount called for under the Capital Build-Up Program and Conversion Scheme.

Section 9. *Agreement*

All past due supervised credits of rural bank borrowers under the program shall be covered by an Agreement executed in the prescribed form between the rural bank and the defaulting borrowers, which shall provide, among other things, for an equal yearly or semi-annual amortization of such past due obligations for a period not exceeding five (5) years.

Section 10. *Restructuring*

Past due rediscounted supervised credits inclusive of accrued interest of rural bank borrowers under the program, duly covered by an Agreement as provided in Section 9 hereof, shall be restructured for a period not exceeding five (5) years. The corresponding rediscounting arrearages of the rural bank inclusive of accrued interest shall likewise be restructured by the Central Bank; provided that such rediscounting obligations of the rural bank with the Central Bank not paid nor converted into preferred shares at the end of the fifth year, may be restructured by the Central Bank for another period not exceeding five (5) years, while the corresponding past due supervised credits of borrowers shall accordingly be restructured by the rural bank.

Section 11. *Interest Rates*

All restructured supervised credits of borrowers of rural banks and corresponding restructured rediscounting arrearages of rural banks with the Central Bank shall continue to bear the same interest rates charged on the original loan obligation.

Section 12. *Rediscounting Privilege*

The participating rural bank shall be allowed to rediscount its eligible papers in accordance with the existing guidelines, provided

that the additional preferred shares arising from conversion shall be excluded from the computation of networth for the purpose of determining the rural bank's credit ceiling; and provided further, that the rural bank shall have complied with its yearly additional capital contribution as required under Section 6 hereof.

Section 13. *Additional Privileges*

Participating rural banks shall be entitled to the following:

- 13.1 Additional financial assistance in the form of loan(s) under Section 90 of R.A. 265, as amended, with maturity not exceeding ten (10) years. The loan(s) shall be in such amount as to enable the rural bank to purchase government securities from the Central Bank that will generate income during the period of the loan(s) to absorb bad accounts that may be written off in accordance with existing regulations. However, the amount of such write-offs that may be absorbed by said income shall not exceed 15% of the rural bank's past due loans as of September 30, 1978 or the valuation reserves recommended by the Central Bank in the latest examination report, whichever is lower. The income from such government securities shall be credited to the account "Reserve For Contingencies" and shall be used exclusively for the purpose herein stated. The government securities so purchased shall be deposited with the Central Bank as collateral security for the loan and shall be encashed by the rural bank to pay off the loan upon maturity.
- 13.2 All penalties and liquidated damages accruing to the past due rediscounted supervised credits covered by this program shall be waived by the Central Bank, provided that penalties accruing to past due supervised credits of the borrowers are similarly waived by the rural bank.

Section 14. *Special Sinking Fund*

The rural bank shall immediately set up a special sinking fund for the specific purpose of retiring the preferred shares issued in accordance with the conversion scheme. Equal yearly installments shall be set aside for the special sinking fund from profits, collections and/or other sources which shall be sufficient to retire all such preferred shares within a period of ten (10) years from the issuance thereof. Any income of the special fund shall accrue to such fund.

The fund shall be in the custody and under the administration of the Central Bank.

The fund shall be invested in the form of evidences of indebtedness of the Republic of the Philippines, Central Bank of the Philippines and other evidences of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic

of the Philippines or shall be placed on time deposit with the Philippine National Bank, the Land Bank of the Philippines or the Development Bank of the Philippines.

Section 15. *Application of Payments*

All loan repayments under the Agreement between the borrower and the rural bank shall be remitted to the Central Bank by the rural bank within ten (10) banking days from receipt thereof and may be applied as follows:

- 15.1 Collections received from notes securing restructured accounts — to restructured rediscounting obligations of rural banks; and
- 15.2 Collections from loans securing rediscounting obligations converted into preferred shares — to special sinking fund for the retirement of the government preferred shares.

However, the rural bank shall have the option to apply the collections under Section 15.2 above to the restructured notes, provided that the yearly requirement on the special sinking fund is satisfied.

Section 16. *Sanctions*

Failure to comply with the approved capital build-up program and repayment schedule for restructured loans may mean the imposition of any or a combination of the following:

- 16.1 Declaring open for the establishment of a new rural bank the area of operations of the defaulting rural bank concerned;
- 16.2 Declaring as due and demandable all restructured loans under this program;
- 16.3 Suspension of all forms of financial assistance;
- 16.4 Sale to the public of the preferred shares of stock of the rural bank;
- 16.5 Suspension of the privilege to open extension offices, money shops and/or savings agencies;
- 16.6 Declaring due and demandable the additional financial assistance granted under Section 13.1 of these guidelines; and

16.7 Imposition of liquidated damages in accordance with existing guidelines.

These guidelines shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 650
January 26, 1979

*GUIDELINES ON FINANCIAL ASSISTANCE
TO RURAL BANKS WITH GOOD REPAYMENT RECORDS*

As a complementary measure to the Program to Assist Rural Banks with Rediscounting Arrearages, the Monetary Board under its Resolution No. 167 dated January 26, 1979 decided to grant additional financial assistance to rural banks participating in the Special Financing Programs of the government under the Supervised Credit Scheme which have maintained satisfactory rediscounting repayment records with the Central Bank.

I. *Rural Banks Entitled to Additional Financial Assistance*

A rural bank participating in the special financing programs of the government under the supervised credit scheme which maintains satisfactory rediscounting repayment records with the Central Bank by paying its rediscounting obligations out of its own funds despite the failure of its borrowers to pay their corresponding loan obligations to said bank, may be granted additional financial assistance provided, it meets the following requirements:

1. that the rural bank must be operating substantially in accordance with law and the rules, regulations and directives issued by the Central Bank and there are no serious exceptions or violations in its operations;
2. that the rural bank has no past due special time deposit obligations with the Central Bank;
3. that the rural bank has no unremitted collections; and
4. that there is no internal dissension in the rural bank which may seriously disrupt its operations.

II. *Additional Financial Assistance*

1. A rural bank with substantial past-due loans caused by the failure of its borrowers to pay their loan obligations may be granted a long-term loan by the Central Bank for a period not exceeding ten (10) years. The loan shall be in such amount as to enable the rural bank to purchase government securities from the Central Bank that will generate income during the period of the loan to absorb bad accounts that may be written-off in accordance with existing regulations. However, the amount of such write-offs that may be absorbed by said income shall not exceed 15% of the rural bank's past due loans as of September 30, 1978 or the valuation reserves recommended by the Central Bank in the latest examination report, whichever is lower. The income from such government securities shall be credited to the account "Reserve For Contingencies" and shall be used exclusively for the purpose herein stated.

The government securities so purchased shall be deposited with the Central Bank as collateral security for the loan and shall be encashed by the rural bank to pay off the loan upon maturity.

2. Subject to the availability of funds, a rural bank which meets the foregoing requirements shall be entitled to additional government investment in the form of preferred shares in case the bank's paid-up capital in form of common shares exceeds the government preferred shares, excluding the preferred shares previously retired.

Existing guidelines on the retirement of preferred shares under this program shall apply.

These guidelines shall take effect immediately.

(SGD). G. S. LICAROS
Governor

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CIRCULAR NO. 651
February 2, 1979

Pursuant to Monetary Board Resolution No. 210 dated January 26, 1979, and to implement the provisions of Section 10 of P.D. 1159 — Prescribing Incentives for Investments in Agricultural Enter-

prises, Sec. 3 of Circular 473 dated June 30, 1975 is hereby amended by adding a second paragraph which shall read as follows:

“Agricultural enterprises registered under P.D. 1159 may be included among the beneficiaries of the ten per cent (10%) of a bank's loanable funds required under P.D. 717 to be set aside for agrarian reform credit provided the borrower submit to the lending bank:

- a) A certification from the Board of Investments to the effect that the borrower is an agricultural enterprise duly registered under P.D. 1159; and
- b) An endorsement of the Ministry of Agrarian Reform stating that land reform beneficiaries shall benefit from the agricultural enterprises' projects.

Financing of projects undertaken pursuant to the Corporate Farming Program under General Order No. 47 shall also be considered within the purview of the 10% of a bank's loanable funds required by CB Circular 473 to be set aside for agrarian reform credit provided the borrower can present to the lending bank the documents mentioned above.”

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.) AMADO R. BRINAS
Senior Deputy Governor

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CIRCULAR NO. 652
February 2, 1979

***GENERAL GUIDELINES ON APPROVAL AND REGISTRATION
OF PHILIPPINE INVESTMENTS ABROAD***

Pursuant to Monetary Board Resolution No. 85 dated January 12, 1979, the following guidelines governing approval and registration of Philippine investments abroad are hereby adopted:

1. All new as well as additional outward investments to be made by resident corporations, entities, or individuals shall require the prior approval of the Central Bank, thru

the Management of External Debt and Investment Accounts Department (MEDIAD);

2. All existing investments abroad of resident corporations, entities or individuals including those not previously approved by the Central Bank shall be duly registered with the Central Bank, thru the said Department. For this purpose, the following documents shall be submitted thru MEDIAD (Attention: Project Development and Monitoring Staff):
 - a. Certification by an authorized agent bank thru which the foreign exchange involved was outward-remitted indicating, among others, the amount thereof and date of remittance; or in lieu thereof, a notarized sworn statement of an authorized officer of the resident investing-firm/entity or the resident individual investor explaining the nature and manner the investment abroad was financed, and the date of payment or servicing thereof;
 - b. Certified copy of the license to do business and/or registration papers of the foreign recipient-firm with the appropriate government agency; and
 - c. Certification under oath by an authorized officer of the resident investing-firm or the resident individual investor as to the number of shares, par value, class and serial numbers of the stock certificates issued by the foreign firm or other equivalent proof/s covering the investment abroad, to be corroborated by a responsible officer of the foreign recipient-firm.

This circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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CIRCULAR NO. 653
February 5, 1979

FURTHER AMENDING CIRCULAR NO. 567

Pursuant to Monetary Board Resolution No. 164 dated January

26, 1979, Circular No. 567, as amended, is hereby further amended as follows:

Item 2.1 of Circular No. 567 shall read as follows:

“2.1 For purposes of this Circular, a savings agency shall refer to a mini-extension office of an existing branch or the head office of a thrift bank or a rural bank, the functions of which shall be primarily to service deposits in areas not adequately serviced by other types of banking offices. A savings agency may grant loans fully secured by holdout on deposits maintained in the lending savings agency.

No savings agency shall be established within the Greater Manila Area. A savings agency shall be located within a radius of thirty (30) kilometers from its mother unit.”

This Circular shall take effect immediately.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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CIRCULAR NO. 654
February 5, 1979

ESTABLISHMENT AND OPERATIONS OF SAVINGS AGENCIES

The Monetary Board, in its resolution No. 164 dated January 26, 1979, approved the consolidation and amendment of the guidelines on the establishment and operations of savings agencies by thrift banks and rural banks.

I. *Factors to be Considered in the Establishment of Savings Agencies*

Savings agencies may be established only upon prior approval by the Central Bank and in accordance with the following:

A. *Citizenship Requirements*

The applicant must comply with the following requirements:

1. At least seventy per cent (70%) of the voting

stock of a thrift bank shall be owned by Filipinos except when such required minimum percentage is reduced to sixty per cent (60%), pursuant to law, in the case of savings banks and private development banks. Voting stock of a rural bank shall be one hundred per cent (100%) Filipino-owned.

2. At least two-thirds (2/3) of the members of the board of directors shall be Filipinos: *Provided*, That in the case of private development banks and rural banks, all board members shall be Filipinos.

B. *Conditions Precluding Acceptance/-
Processing of Application*

The application for the establishment of a savings agency shall not be accepted 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.

The application for the establishment of a savings agency shall not be processed in any of the following cases:

1. The applicant bank's operation during the year preceding the filing of application was unprofitable.

2. The combined capital accounts of the applicant bank are found to be deficient for five (5) or more times within a thirty (30) day period during the last six (6) months immediately preceding the date the application was received, in which case the bank's privilege to establish savings agencies shall be suspended for the next sixty (60) days without prejudice to the resubmission of its application after said period.

3. The combined capital accounts of the applicant bank are found to be deficient continuously for a period of thirty (30) days or more during the last twelve (12) months immediately preceding the date the application was received, in which case the bank's privilege to establish savings agencies shall be suspended for the next twelve (12) months without prejudice to the resubmission of its application after said period.

4. The applicant bank has incurred net deficiencies

in reserves against deposit liabilities, in which case its application shall be processed only after it shall have had no net reserve deficiencies for eight (8) consecutive weeks: *Provided*, That in case the bank had incurred net deficiencies in reserves for eight (8) consecutive weeks during the last twelve (12) months immediately preceding the date the application was received, the bank's privilege to establish banking offices shall be suspended for the next twelve (12) months without prejudice to the resubmission of its application after said period.

5. There are two (2) or more approved but unopened banking offices in the same area or locality, irrespective of type and category, (excluding head offices, and other banking offices not opened within the extension period granted). Nevertheless, the Central Bank may consider the establishment of a savings agency beyond such ceiling on a case-to-case basis upon prior approval of the Governor, on the basis of resources, personnel capability, and generally, a demonstration of the capability of the bank to organize and staff an increased number of such savings agencies within a reasonable time: *Provided, however*, That for offices authorized under this paragraph in excess of the ceiling established in existing regulations, no extension of the prescribed date of opening shall be allowed.

6. The applicant bank has not complied with the investment-deposit ratio for four (4) consecutive quarters.

7. Applicant thrift bank shall submit a certification, under oath by the bank's Executive Vice-President or any officer of equivalent rank, to the effect that it has no float items outstanding for more than sixty (60) calendar days exceeding one per cent (1%) of its total resources as of the end-of-month nearest to application date.

8. Such other conditions as the Monetary Board may determine.

C. *Priorities*

In cases where there are two or more applications of banks for authority to establish savings agencies in the same area or vicinity, on the assumption that both applicant banks have met all Central Bank requirements, the following priorities shall govern:

1. First priority — Banks which have already

achieved the required minimum paid-in capital.

2. Second priority — Banks which have approved programs or plans to increase their paid-in capital with accelerated installments on build-up of paid-in capital in accordance with the banks' approved program;
3. Third priority — Banks which have approved programs or plans to increase their paid-in capital, installments on capital build-up of which are not yet due or with up-dated build-up of paid-in capital in accordance with the banks' approved program; and
4. Fourth priority — Banks which have approved programs or plans to increase their paid-in capital, installments on which are not up-to-date.

In any of the priority levels, the "first-come, first-served basis" shall apply, meaning that whenever two (2) or more applications are received in any given day for the same area/vicinity and the applicants fall under the same priority level, the application which was filed first shall be given preference.

II. *Operational Guidelines*

A. *Scope of Operations*

A savings agency shall be established primarily to service deposits in areas not adequately serviced by other types of banking offices. It may grant loans fully secured by holdout on deposits maintained in the agency.

B. *Record Keeping*

1. All transactions of the savings agency shall be taken up and recorded daily by its mother office.
2. Records pertaining to loans secured by holdout on deposits maintained in the lending savings agency

including, but not limited to, the original of the holdout agreement and the passbook/certificate of deposit left by the borrower with the agency, shall be kept under the custody and control of an officer of the savings agency.

3. The amount of holdout shall be indicated in the depositor's ledger and in the savings passbook or certificate of time deposit of the depositor-borrower.

C. *Banking Hours*

A savings agency shall observe banking hours and banking days similar to, or within the banking hours of, its mother office.

III. *Others*

1. An application for the establishment of a savings agency inside a market shall be considered as an application to establish a money shop and shall be subject to the guidelines and criteria on the establishment of money shops.

2. The location of an authorized savings agency shall be at least 10 meters from an existing or previously approved but still unopened banking office except where they are separated by a street.

3. A savings agency shall open for business within six (6) months from date notice of approval was received by the applicant bank: *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 savings agency can be opened within this period.

IV. *Effectivity*

This Circular shall supersede Memorandum to All Thrift Banks dated May 12, 1975, as amended by Memorandum to All Thrift Banks dated September 4, 1978 and all rules and regulations inconsistent herewith.

This Circular shall take effect immediately.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

CIRCULAR NO. 655
February 9, 1979

AMENDING CIRCULAR NO. 551
ON BANKING DAYS/HOURS OF MONEY SHOPS

The Monetary Board, in its Resolution No. 238 dated February 2, 1979, approved the amendment of Item II.F.1 of Circular No. 551, to read as follows:

"F. Banking Days/Hours

1. Money shops authorized to be established shall open for the same number of banking days applicable to their respective head offices, as follows:

- a. Commercial Banks — At least five (5)
days a week.
- b. Thrift Banks and — At least six (6)
Rural Banks days a week.

They shall observe banking hours for not less than six hours a day, between 4:30 A.M. and 8:00 P.M. The opening and closing hours and the banking days may be determined by banking institutions depending upon the conditions prevailing in each individual market/locality."

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 656
February 19, 1979

Pursuant to Monetary Board Resolution No. 239 dated February 2, 1979 Section 3 of CB Circular No. 640 dated November 20, 1978 has been amended/revised] to read as follows:

'SECTION 3. All national internal revenue tax collections made are to be booked and credited to a special account 'DUE TO THE CENTRAL BANK OF THE PHILIPPINES - BUREAU

OF INTERNAL REVENUE.' 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 bank 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."

This Circular shall take effect immediately.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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CIRCULAR NO. 657
February 20, 1979

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. 346 dated February 16, 1979, approved the following amendment to Circular No. 572 and the accompanying Guidelines, as amended, on domestic borrowings of foreign firms:

SECTION I. Section 2 of Circular No. 572, as amended, is hereby amended, to read as follows:

"No bank or non-bank financial intermediary shall grant to, or maintain outstanding, peso loans of, a foreign firm except upon presentation of a valid certification by the Committee that the applicant foreign firm meets the Guidelines prescribed by the Monetary Board. Banks and non-bank financial intermediaries shall incorporate in their loan agreements with foreign firms covering loans with maturities beyond the validity date of the certification, a stipulation that the borrower shall

renew the certification and that the failure of the borrower to obtain a renewed certification within thirty (30) days after the expiry date thereof shall make the outstanding balance of the loan due and demandable.

Foreign firms with peso loans maturing beyond the expiry dates of their certifications shall file with the Committee the necessary application for the renewal of such certifications, at least thirty (30) days before the expiry dates thereof."

SECTION II. This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 658
March 5, 1979

Pursuant to Monetary Board Resolution No. 378 dated February 23, 1979, commercial banks, for purposes of rediscounting their export papers with the Central Bank, may avail themselves of another additional 50% ceiling based on their existing basic rediscount ceiling, in effect increasing export financing for all commercial banks to 100% of their basic rediscount lines. It is understood, however, that availments under this authority may be allowed only where the commercial bank's basic rediscount ceiling and the additional 50% ceiling previously authorized shall have been fully utilized.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 659
March 6, 1979

**GUIDELINES ON BOND ISSUES OF NON-BANK
FINANCIAL INTERMEDIARIES IN QUASI-BANKING**

The Monetary Board, in its Resolution No. 209 dated January 26, 1979, approved the following guidelines in connection with

bond issues of non-bank financial intermediaries performing quasi-banking functions:

SECTION 1. *Definition of terms.* — For purposes of this Circular, certain terms shall be defined as follows:

- a. *Government Securities* — shall refer to the evidences of indebtedness of the Republic of the Philippines or its instrumentalities, or of the Central Bank and must be freely negotiable and regularly serviced.
- b. *Net Book Value* — shall refer to the acquisition cost of property or accounts plus additions and improvements thereon less valuation reserves, if any.
- c. *Current Market Value* — shall refer to the value of the property as established by a duly licensed and independent appraiser.
- d. *Affiliate* — shall refer to a concern linked directly or indirectly to another by means of:
 - (1) Ownership, control and power to vote, of 10% or more of the outstanding voting securities;
 - (2) Interlocking directorship/officership;
 - (3) Common major stockholders, i.e., owning 10% or more of the outstanding voting securities;
 - (4) Management contract or any arrangement granting power to direct or cause the direction of management and policies;
 - (5) Voting trustee holding 10% or more of the outstanding voting securities;
 - (6) Permanent proxy constituting 10% or more of the outstanding voting securities.
- e. *Subsidiary* — shall mean a company 50% or more of the outstanding voting securities of which are directly or indirectly owned, controlled, or held with power to vote, by another.

SEC. 2. *Notice to Central Bank.* — Within three (3) days from approval by SEC of its bond issue, a non-bank financial intermediary performing quasi-banking functions shall notify the Department of Financial Intermediaries (Non-Bank) of the approval, attaching docu-

ments required by the SEC for the creation and registration of the bond issue.

SEC. 3. *Minimum features.* — Subject to Presidential Decree No. 678 and its implementing rules and regulations and for purposes of this Circular, bond issues by non-bank financial intermediaries performing quasi-banking functions shall have the following minimum features:

- a. *Form; issue price; denomination.* — The bonds shall be fully registered as to principal and interest. The issuer must maintain a bond registry duly approved by SEC for recording initial and subsequent transfers, the names of transferees, date of transfer, purchase price and serial numbers of bonds transferred.

Bonds may be issued at face value, at a discount, or at a premium. Minimum denomination shall be ₱20,000.00.

- b. *Term.* — The minimum maturity of the bonds shall be four (4) years. No optional redemption before the fourth year shall be allowed.
- c. *Interest; manner; form of payment.* — The bonds shall not be subject to interest rate ceilings prescribed by the Monetary Board or Republic Act No. 2655, as amended.

Interest paid in advance shall not exceed the interest for one (1) year: *Provided*, That interest shall not be paid in kind.

- d. *Trust indenture; collaterals; sinking fund.* — A trust indenture shall be executed between the issuer and a qualified trust corporation as trustee, which shall neither be an affiliate nor a subsidiary of the issuer. Real estate, government securities including Central Bank Certificates of Indebtedness (CBCIs), high-grade private securities listed in the big board of stock exchanges and unmatured accounts receivables acquired on a with recourse basis shall be eligible as collateral for bond issues.

Government securities and high-grade private securities shall have an aggregate current market value at all times of 100% and 150%, respectively, of the face value of the bond issue. Real estate and unmatured accounts receivables acquired on a with recourse basis shall have a net book value at all times of 100% and 150%, respectively, of the face value of the bond issue. Government securities, CBCIs, private securities, certificates of title and docu-

ments evidencing receivables offered as security shall be physically delivered to the indenture trustee.

The issuer may, at his option, provide for the retirement at maturity of the bond issue through a sinking fund to be deposited with and managed by the indenture trustee.

- e. *Provision on the face of the certificate.* — A provision on the face of the bond certificate shall refer to the trust indenture and shall state the name of the indenture trustee.

SEC. 4. *Underwriting.* — Bond issues may be underwritten by entities including those which are affiliates or subsidiaries of the issuer. The investment of affiliates or subsidiaries in said bond issue shall be subject to: (1) individual and aggregate ceilings of 10% and 30%, respectively, of the bond issue; and (2) the condition that the investing affiliate or subsidiary does not have any outstanding loan from the issuer or that it shall not incur any indebtedness from the issuer during the period that the investment remains outstanding.

SEC. 5. *Incentives.* — Notwithstanding the provisions of existing regulations, bonds issued under this Circular shall be subject to a minimum trading lot of twenty thousand pesos (P20,000.00) and bonds so issued with remaining maturities of seven hundred and thirty (730) days and below, shall be subject to a reserve requirement of five percent (5%).

SEC. 6. *Inapplicability of certain regulations.* — Section 7 of Circular No. 387, as amended, and Sections 1 and 2 of Circular No. 553 shall not apply to bonds issued under this Circular.

SEC. 7. *Sanctions.* — 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, without prejudice to the suspension or revocation of the entity's authority to engage in quasi-banking functions.

SEC. 8. *Effectivity.* — This Circular shall take effect immediately.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

CIRCULAR NO. 660
March 9, 1979

GUIDELINES ON THE SALARY AND COMPENSATION
BENEFIT PROGRAMS OF RURAL BANKS

The Monetary Board, in its Resolution No. 375 dated February 23, 1979, adopted the following guidelines on the salary and compensation benefit programs of rural banks:

SECTION 1. *Salaries.* — Subject to prior approval of the Department of Rural Banks and Savings and Loan Associations, the board of directors of a rural bank shall determine the different essential positions, the scale and expenditures for salaries, per diems, transportation, traveling, representation and other allowances as the exigencies of its operations may demand: *Provided*, That the bank shall operate on an annual budget approved by the board of directors whereby total expenses shall not exceed 75% of estimated gross income for the year, the basis of which shall be the average annual gross income over the last three (3) years: *Provided, further*, That expenditures for salaries, per diems, transportation, traveling, representation and other allowances, including the monthly emergency allowances prescribed under P.D. No. 525, as amended by P.D. No. 1123, shall at no time exceed 45% of total operating expenses: *Provided, further*, That a yearly increase in salary not exceeding 30% of the latest actual basic salary appertaining to the position may be allowed: *Provided, finally*, That new rural banks may base their budget on reasonable and feasible estimates.

SEC. 2. *Allowances and Per Diems.* — An officer holding a position purely in an honorary capacity shall only be entitled to actual transportation expenses and per diems for attending board meetings. For purposes of this Section, the term "honorary capacity" shall mean that the officer is not actively and directly participating in the management or business operations or day-to-day activities of the bank.

SEC. 3. *Sanctions.* — Violations of this Circular shall subject the bank to the sanctions specified in Sections 34 and 34-A of Republic Act No. 265, as amended.

This Circular shall take effect immediately and shall supersede Circular No. 507 dated February 23, 1976.

(SGD). G. S. LICAROS
Governor

CIRCULAR NO. 661

March 15, 1979

**REGULATIONS GOVERNING INVESTMENT IN
HIGH-GRADE EVIDENCES OF INDEBTEDNESS AND
DISCOUNT OF OTHER EVIDENCES OF INDEBTED-
NESS AND ACCOUNTS RECEIVABLE**

The Monetary Board, in its Resolution No. 505 dated March 9, 1979 approved the following for the purpose of implementing Section 31 (e) of Republic Act No. 337, and amended, and Section 5 (c) of Republic Act No. 3779, as amended.

A. *Evidences of Indebtedness*

1. Thrift banks may invest in high-grade bonds and other high-grade evidences of indebtedness and grant loans against such obligations. As a general rule, "high-grade" bonds and other "high-grade" evidences of indebtedness are those which possess the ultimate degree of protection as to principal and income and the maximum potential for long-term growth in value: *Provided*, That such bonds and other evidences of indebtedness shall have complied with the Rules on Registration of Commercial Papers issued by the Securities and Exchange Commission: *Provided, further*, That such bonds and other evidences of indebtedness with original maturity of more than four (4) years shall be covered by mortgage trust indenture.

It shall be the responsibility of management of the bank investing in such instruments to undertake the necessary investigation to satisfy itself with regard to the particular security in accordance with guidelines set by the Supervision and Examination Sector.

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, are eligible forms of investment under Section 31 (e) of Republic Act No. 337, as amended.
3. Evidences of indebtedness which are not eligible investments under Item A.1 above, may be discounted: *Provided*, That such evidences of indebtedness have complied with the Rules on Registration of Commercial Papers issued by the Securities and Exchange Commission: *Provided, further*, That these evidences of indebtedness shall be discounted

with recourse against a bank, or non-bank financial intermediary performing quasi-banking functions.

B. *Accounts Receivable*

1. Accounts receivable arising from the sale by duly licensed dealers or distributors of (a) durable consumer goods and (b) instruments, machineries and other equipment, and goods for the production, processing, transformation, handling or transportation of consumer, agricultural and industrial products may be discounted or assigned to the bank with recourse against such dealers or distributors: *Provided*, That such accounts receivable with original maturity of more than one year discounted or assigned with recourse shall cover only goods sold by such dealers or distributors under a contract of sale with chattel mortgage or under a contract of sale with reservation of title.

The dealers or distributors shall endorse or assign said accounts receivable, contracts and documents in favor of the bank.

2. (a) Accounts receivable of real estate developers from the sale of subdivision lots and/or houses and lots, title to which has been transferred to individual lot and/or house and lot buyer against the security of a first mortgage on the property subject of the sale, may be discounted by such real estate developer with thrift bank: *Provided*, That the bank shall have recourse against the developer who shall be required to assign to the bank the first mortgage executed by the buyer in favor of the developer: *Provided, further*, That the property is located in a subdivision or housing project primarily for low and middle income families.

(b) Accounts receivable of real estate developers from individual lots and/or house and lot buyers may be discounted by such real estate developers with the same thrift bank from which the buyer has obtained a loan against the security of a first mortgage on the property subject of the sale, title to which has been transferred to the buyer by the developer for the purpose of obtaining the bank loan to finance a portion of the purchase price of the property and/or improvements thereon: *Provided*, That the bank shall have recourse against the developer who shall be required to assign to the bank the second mortgage executed by the buyer in favor of the developer: *Provided, further*, That the property is located in a subdivision or housing project primarily for low and middle income families.

The aggregate amount received by the real estate developer for the account receivable discounted, and/or the loan granted by the bank to the lot and/or house and lot buyer, in Items 2(a) and 2(b) above, shall in no case exceed the statutory loan value of the subject property mortgaged.

3. The effective rate of yield including commissions, premiums, fees and other charges, from the discount of evidences of indebtedness and accounts receivable with remaining maturities of seven hundred thirty (730) days or less, that may be charged or received by thrift banks, whether or not authorized to engage in quasi-banking functions, shall not exceed sixteen per cent (16%) per annum. The effective rate of yield including commissions, premiums, fees and other charges that may be charged or received from the discount of evidences of indebtedness and accounts receivable with remaining maturities of more than seven hundred thirty (730) days, whether or not the bank is authorized to engage in quasi-banking functions, shall not exceed nineteen per cent (19%) per annum.

The aggregate exposure in (a) high-grade bonds and other high-grade evidences of indebtedness (other than government securities in Item A.2 above), (b) discounted evidences of indebtedness referred to in Item A.3 above, and (c) accounts receivable arising from the sale by duly licensed dealers or distributors of durable consumer goods discounted as mentioned in Item B.1 (a) above, shall not exceed fifteen per cent (15%) of total assets of thrift banks: *Provided*, That the total exposure of thrift banks on accounts receivable arising from the sale by duly licensed dealers or distributors of durable consumer goods shall not exceed one-third of the fifteen per cent (15%) ceiling prescribed in this paragraph.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 662
March 15, 1979

[Pursuant to Monetary Board Resolution No. 310 dated February 9, 1979, Section 5 of Circular 364 dated February 26, 1973] is hereby amended to include the following subparagraphs:

- k) Tour operators, travel agencies, brokerage firms, trans-

portation companies that have not been granted licenses to operate as Authorized Foreign Exchange Dealers that are receiving foreign exchange from any source;

- l) Hotels, pension houses, inns, condominiums, tourist shops, restaurants, niteclubs, cocktail lounges, sauna baths and other similar establishments other than those that are authorized foreign exchange dealers that are receiving foreign exchange from any source;
- m) Publication, advertising, communication, and telecommunication companies;
- n) Regional, representative offices, subsidiaries and/or affiliates of foreign companies;
- o) Real estate brokers/operators/owners receiving rentals/payments in foreign currencies; and
- p) Clubs, associations and other aggrupations of whatever purpose (religious, political, etc.) earning or receiving foreign exchange from any source.

The reporting required herein shall not apply to Authorized Foreign Exchange Dealers of the Central Bank which are separately required to submit to the Foreign Exchange Department monthly reports on their dealership transactions pursuant to their specific dealership authorizations.

These amendments shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 663
March 19, 1979

Summary Report on Foreign Exchange Transactions

Pursuant to Monetary Board Resolution No. 153 dated January 26, 1979, [all firms registered with the Board of Investments under the Export Incentives Act (Republic Act No. 6135) and/or the Investment Incentives Act (Republic Act No. 5186) are hereby required to submit annual reports to the Central Bank on their

respective foreign exchange transactions within the first quarter following the end of the report-year, in the attached prescribed format.]

The initial report shall cover the calendar year ended December 31, 1978, or the fiscal year ending in 1979, as the accounting period of the reporting firm may be.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

ANNEX A

COMMODITY CLASSIFICATION OF EXPORT PRODUCTS

COCONUT PRODUCTS

- Copra
- Coconut Oil
- Desiccated Coconut
- Copra Meal/Cake
- Others (Specify)

SUGAR & PRODUCTS

- Centrifugal & refined
- Molasses
- Others (Specify)

FOREST PRODUCTS

- Logs
- Lumber
- Plywood
- Others (Specify)

MINERAL PRODUCTS

- Copper Concentrates
- Gold
- Nickel
- Iron Concentrates
- Chromite Ore/Concentrates
- Others (Specify)

FRUITS & VEGETABLES

- Pineapple, Canned

Pineapple Juice
Pineapple Concentrates
Bananas
Others (Specify)

ABACA & PRODUCTS
Unmanufactured
Abaca Rope

TOBACCO & PRODUCTS
Raw
Cigar & Others

MARINE PRODUCTS

MINERAL FUELS & LUBRICANTS

OTHER MANUFACTURES
Clothing
Textile/Yarn/Fabrics
Cement
Chemicals

MISC. MANUFACTURES & OTHERS (Specify)

RE-EXPORTS (Refer to imported goods exported in the same forms
in which they were originally imported.)

ANNEX B

CLASSIFICATION OF INVISIBLES: 1/
RECEIPTS AND PAYMENTS

1. Services

- a) Technical/Management/Consultancy fees
- b) Accounting and legal services
- c) Other services

2. Revenues

- a) Royalties/Licensing fees

1/ Excludes the following items which are to be taken up in the
schedules indicated:

Interest and other charges — Schedule 2
Profits and dividends — Schedule 4

- b) Commissions
- c) Rentals
- d) Freight
- e) Other revenues (Specify)

3. Others (Specify)

ANNEX C

COMMODITY CLASSIFICATION OF IMPORTS

Commodity Group/Sub-Group

I. CAPITAL GOODS

Non-electrical machinery
 Electrical machinery
 Transport equipment
 Aircraft, ships & boats
 Professional, scientific and controlling instruments

II. RAW MATERIALS & INTERMEDIATE GOODS

Wheat
 Crude materials, inedible
 Cotton
 Synthetic & Artificial Fibers
 Others

Animal & vegetable oils and fats

Chemical
 Chemical compound
 Medicinal & pharm. chem.
 Urea
 Fertilizer excl. urea
 Others

Manufactures
 Paper & paper products
 Textile yarn, fabrics and made-up articles
 Iron and steel
 Metal products
 Others

Embroideries
 Materials and accessories for the manufacture of electrical

III. MINERAL FUELS & LUBRICANTS

Coal, coke and briquettes
Petroleum crude
Others

IV. CONSUMER GOODS

Food and food preparations

Dairy products
Fish & fish preparations
Rice
Corn
Others

Beverages & tobacco

Miscellaneous, n.e.s.

Live animals not for food
Articles temporarily imported or exported
Others

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CIRCULAR NO. 664
March 19, 1979

Pursuant to Monetary Board Resolution No. 493, dated March 9, 1979, loan availments under Section 88-A of R.A. No. 265, as amended, shall be subject to the following terms and conditions:

1. Loan value shall be computed on the basis of payments, installments, or amortizations falling due over a period not exceeding three (3) years from the date of loan or advance with the Central Bank;
2. The Central Bank shall charge a 6 per cent interest rate;
3. It is understood that the maximum lending rate of 12 per cent (secured) and 14 per cent (unsecured) that may be charged by banks for papers with more than one year maturity under Circular 610, dated May 19, 1978, shall continue to be applicable.

This Circular shall take effect immediately and all existing

Circulars, rules and regulations, and instructions inconsistent herewith shall be deemed revoked and/or modified accordingly.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 665
March 19, 1979

[Pursuant to Monetary Board Resolution No. 428 dated March 2, 1979, the Hongkong dollar, the Singapore dollar and the Belgian franc shall be included in the list of foreign currencies prescribed by the Central Bank] to form part of the Philippines' international reserves and shall be accepted in the settlement of the country's international accounts.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 666
March 20, 1979

[Pursuant to Monetary Board Resolution No. 553, dated March 16, 1979, paragraph 2 of Circular 647] is hereby amended to read as follows:

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2. Should the exporter fail to negotiate the aforementioned export L/C, the Central Bank shall after one month, debit the clearing account of the commercial bank concerned for additional interest based on the difference between the highest rediscount rate and the rediscount rate for export financing, unless the Central Bank shall earlier receive a written notice of L/C extension from the commercial bank

concerned, in which case the debiting shall be suspended accordingly. x x x"

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 667
March 20, 1979

Pursuant to Monetary Board Resolution No. 552, dated March 16, 1979, Circular 306 relative to the additional qualifications for continuity of availment of the privilege of access to the credit facilities of the Central Bank by commercial banks, is hereby amended to read as follows:

1. The paid-up capital of a commercial bank applying for credit availment from the Central Bank should amount to at least P100 million at the time the application is filed, in accordance with the increased capitalization program of commercial banks; and
2. The capital accounts of the commercial banks, as adjusted, to cover any valuation reserves recommended to be set up by the Central Bank to cover the doubtful and loss accounts should meet the minimum capital required under Section 22 of Republic Act No. 337, as amended.

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. 668
March 20, 1979

Pursuant to Monetary Board Resolution No. 552, dated March 16, 1979, Circular 635 is hereby amended particularly with respect

to the rediscounting of eligible papers of export-oriented small scale/cottage industries involving accounts not exceeding P1 million which shall have a loan value of 100% and a rediscount rate of 3% per annum with a maximum bank lending rate of 9%, plus bank charge not exceeding 1%.

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. 669
March 20, 1979

[Pursuant to Monetary Board Resolution No. 507, dated March 9, 1979, special time deposits in connection with the Lending Program under the Virginia Tobacco Trading Loan Fund for Authorized Commercial Banks] are hereby exempted from the reserve requirements, as an amendment to Section 5, paragraph 3, of Circular No. 552, dated January 17, 1977.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 670
March 20, 1979

[Pursuant to Monetary Board Res. No. 359 dated February 16, 1979, the following Rules and Regulations to govern applications of authorized Commercial Banks for STD/rediscounting with the Central Bank in connection with the Virginia Tobacco Trading Loan Fund Program] are hereby adopted:

**RULES AND REGULATIONS GOVERNING THE
LENDING PROGRAM UNDER VIRGINIA TOBACCO TRADING
LOAN FUND FOR AUTHORIZED COMMERCIAL BANKS**

These rules and regulations shall govern the lending program of Authorized Commercial Banks in connection with the Virginia Tobacco Trading Loan Fund (VTTLF) and the availment of the Special Time Deposits/Rediscounting facilities from the Central Bank, as follows:

SECTION I — *Authorized Commercial Banks*

Commercial Banks that meet all the following requirements shall be allowed to participate in the lending program under the Virginia Tobacco Trading Loan Fund (VTTLF):

- a. Those certified by the CB-DCSB as having no serious exceptions or deficiencies in their operations.
- b. Those eligible to rediscount with CB-DLC under existing rules and regulations and with unused rediscount ceiling at the time of application for STD/Rediscounting.

SECTION 2 — *Eligible Borrowers*

2.1 Borrowers eligible to avail of trading loans from participating commercial banks under the lending program of the VTTLF shall be the following:

- a. Trading centers authorized by PVTA to purchase from Virginia tobacco farmers and whose previous/current year's tobacco purchases are certified by PVTA.
- b. Exporters/cigarette manufacturers of Virginia tobacco who have commitments with the PVTA to purchase specified quantities of flue-cured Virginia tobacco from authorized trading centers, whose previous/current year's tobacco purchases are certified by PVTA.

2.2 The borrowers under Section 2.1a and 2.1b above must offer collaterals acceptable to the banks. In the event that the collaterals offered consist of stored redried Virginia tobacco in hogsheads, the corresponding servicing receipts/quedans evidencing the same should be covered by a deed of assignment with undertaking to notify the bank whenever the stocks are moved.

SECTION 3 — *Eligible Loan*

- 3.1 The trading loans that may be financed through Special Time Deposits (STDs) from the VTTLF may be granted for a term not exceeding 180 days to be utilized exclusively for the purchase of flue-cured Virginia tobacco from farmers/trading centers.
- 3.2 The aggregate amount of the loans to be granted or the outstanding balance of such loans at any one time shall be as follows:
 - a. Not more than the loan value of the collateral offered or P500,000 whichever is lower for trading centers.
 - b. Not more than 50% of the total value of tobacco already procured or P5 M whichever is lower for exporters/cigarette manufacturers.

SECTION 4 — *Special Time Deposits*

- 4.1 At any time from February 15 to July 31 of each year, a participating commercial bank may submit to the CB-DLC its application for a Special Time Deposit (STD) supported by the following documents:
 - a. A list of eligible applicant-borrowers and the corresponding amounts of loans applied for.
 - b. A certification from the PVTA showing previous and current years' purchases of the borrowers.
- 4.2 If the application and its supporting documents submitted under Section 4.1 are found in order, the STD, to be approved shall not exceed 80% of the loans to be granted by the commercial bank to its borrowers, provided that said loans shall not exceed 50% of the actual tobacco procured as of date of application, subject to the limitations under Section 3.2 hereof.
- 4.3 The STD shall be issued not earlier than April 1 of each year for a term of 45 days at 5% per annum upon submission by the commercial bank of a duly signed certificate of time deposit. Any portion of the STDs that are not released or committed within 30 days from date of grant should be immediately remitted to the CB-DLC.
- 4.4 CB-DLC shall furnish PVTA a copy of every approved STD application.

- 4.5 Upon maturity of the STD, the unpaid balance thereof shall automatically be debited against the demand deposit (D/D) account of the commercial bank concerned with the Central Bank. If the balance of its D/D account is insufficient to cover the aforementioned debit, the bank concerned shall remit immediately to the Central Bank the amount equivalent to the difference thereon, together with the accrued interest.

SECTION 5 — *Lending Procedures of Commercial Banks*

- 5.1 The funding of the loans under this program shall be 80% from the STD proceeds and 20% from the commercial bank's own fund.
- 5.2 The commercial bank shall release the loan proceeds as follows:
- a. Trading centers — Directly to the borrower and in lump sum.
 - b. Exporters/Cigarette Manufacturers — In staggered amounts to be released only to trading centers which will present promissory notes of the borrowers (exporters/cigarette manufacturers) in favor of the bank. The amount of the promissory notes shall equal the value of unpaid original Tally-in-Sheets, to be attracted thereto, representing tobacco actually delivered to the borrower.
- 5.3 Loans granted under this program shall bear interest of not more than 9% per annum plus bank charge not exceeding 1%.

SECTION 6 — *Rediscounting*

- 6.1 The participating commercial bank must rediscount the loan granted under this program with the CB-DLC within the 45-day term of the STD granted to finance said loan.
- 6.2 The loan value of promissory notes rediscounted under this program shall be 80% of the face amount/outstanding balance of such promissory notes as of date of rediscounting. Interest shall be at the preferential rate of 4% per annum for a period not exceeding 180 days.
- 6.3 In addition to the usual rediscounting requirements, the loan application must also be supported by the commercial bank's advice to the CB-DLC to apply the rediscount-

ing proceeds to the STD, together with the promissory note(s) of the applicant bank, duly signed by its authorized officers, in favor of the Central Bank.

6.4 Proceeds of rediscounting shall first be applied to the outstanding balance of the STD. However, where the STD has already been fully paid, the rediscounting proceeds shall be credited to the bank's demand deposit account with the Central Bank.

6.5 Upon maturity of the loan, the bank's D/D account with the Central Bank shall automatically be debited for the principal amount or outstanding balance thereof, plus accrued interest. If the balance of its D/D account is insufficient to cover the aforementioned debit, the bank concerned shall remit immediately to the Central Bank the amount equivalent to the difference thereon, together with the accrued interest. Likewise, the loan value, together with the accrued interest, of collections received before maturity of the collaterals or of maturing collaterals shall immediately be remitted to the Central Bank.

SECTION 7 — *Liquidated Damages*

Liquidated damages of 5% per annum, over and above the preferential rate of 5%/4% per annum shall be imposed on past due STD/rediscounting obligations for the period that said obligations are overdue.

SECTION 8 — *Additional or Revision of Rules and Regulations*

From time to time, the Monetary Board may issue additional Rules and Regulations to supplement, complement or amend these Rules and Regulations.

SECTION 9. — *Effectivity*

These Rules and Regulations shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 671
March 28, 1979

Pursuant to Monetary Board Resolution No. 620, dated March

23, 1979, papers of exporters of services and construction contracts shall be considered eligible for rediscounting under Sec. 87(b-1) of R.A. No. 265, as amended, subject to the following terms and conditions:

1. The eligible papers shall be secured by at least the assignment of payments of the civil/construction/labor contracts, to be supported by the award of such contracts with approval/confirmation by an appropriate Philippine government agency or performance bond, if required, and other evidences to prove existence of said contracts;

2. Rediscounting against such papers shall be under the same terms and conditions as those for export-oriented industries under Circular 610, as amended, and shall have maturities not to exceed 180 days from date of availment, or not later than the expiration of the contract, whichever comes first; and,

3. Availments under this facility shall be chargeable against the rediscount ceiling of the banking institution concerned.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 672
April 6, 1979

[Pursuant to Monetary Board Resolution No. 657 dated March 30, 1979, Circular No. 610, as amended,] is hereby further amended as follows:

1. The Central Bank rediscount rate for non-export oriented small-scale/cottage industries under Priority I-B and C of Circular No. 223, as amended, is reduced from 9% to 6% p.a., as well as the maximum bank lending rates from 12% p.a. (for secured) and 14% p.a. (for unsecured) to 10% p.a., plus bank charges not exceeding 1% p.a.; and the loan value is increased from 60% to 80%;
2. The Central Bank rediscount rate for papers for the production of rice and corn, poultry and piggery, fishing, feed grains and sorghum; seeds and seedlings, food production, food processing, domestic fertilizer production and food manufacturing for domestic consumption is reduced

from 4% to 3% p.a.; and the loan value is increased from 80% to 100%; and

3. The eligibility coverage of agrarian reform (under supervised credit) is redefined so as to include compact/corporate farming scheme, with rates remaining unchanged.

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). AMADO R. BRIÑAS
Senior Deputy Governor

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CIRCULAR NO. 673
April 17, 1979

(REGULATIONS GOVERNING ACCEPTANCE OF DEPOSITS
AND BORROWINGS FROM THE GOVERNMENT)

Pursuant to its Resolution No. 635 dated March 30, 1979, the Monetary Board approved the following amendment, consolidation and reissuance of the rules and regulations implementing Section 118 of Republic Act No. 265, as amended.

SECTION 1. *General rule.* — Without the prior approval of the Monetary Board, no private bank shall accept demand, savings or time deposits from the Government, its branches, political subdivisions or instrumentalities or from Government-owned or controlled corporations, hereinafter referred to as "Government and government entities." No private bank or non-bank financial intermediary, whether or not performing quasi-banking functions, shall borrow funds through the issuance or sale of its acceptances, notes or other evidences of debt, from the Government and government entities.

SEC. 2. *Banks which may be authorized to accept government deposits/funds.* — A private bank incorporated in the Philippines or any of its branches, agencies or extension offices operating in municipalities or cities where there are no existing branches, agencies or extension offices of the Philippine National Bank (PNB), the Development Bank of the Philippines (DBP), the Land Bank of the Philippines (LBP) or the Philippine Amanah Bank (PAB) may upon application, be authorized to accept deposits of the Government and

government entities: *Provided, however,* That the Philippine Veterans Bank (PVB), a private bank which by its charter is a depository of government funds, need not secure prior approval of the Monetary Board with respect to its acceptance of deposits of, and/or borrowings from, the Government and government entities.

SEC. 3. — *Liquidity floor.* — Unless otherwise provided by the Monetary Board, private banks and non-bank financial intermediaries shall, in addition to the required reserves against deposits and/or deposit substitutes, maintain a thirty per cent (30%) liquidity floor with respect to deposits of, and/or borrowings from, the Government and government entities in the form of Central Bank-supported securities, separate and distinct from those used by them for other specific purposes required by law/rules and regulations. PVB shall be subject to such liquidity floor requirements as may be determined by the Monetary Board.

SEC. 4. *Exempt transactions.* — Compliance with the provisions of Sections 1, 2 and 3 of this Circular is not required with respect to the following deposits and/or borrowings:

- a. Deposits of, and/or borrowings from PNB, DBP, LBP and PAB;
- b. Deposits of the National Grains Authority (NGA) with banks incident to the credit lines extended by them to NGA in connection with the financing of its rice program;
- c. Marginal deposits on importations;
- d. Proceeds of DBP bonds sold by DBP-accredited sales and service agencies for the bond marketing operations of DBP;
- e. Funds received by private development banks as collecting agents of DBP pursuant to Monetary Board Resolution No. 1223 dated June 30, 1972;
- f. Collections representing premium contributions to the Social Security System: *Provided,* That funds thus collected shall be remitted to the System within thirty (30) days from receipt thereof: *Provided, further,* That such premium contributions shall not earn interest while in the custody of the banks nor shall any service charge be collected thereon;
- g. National internal revenue taxes, customs and tariff duties and export-premium duties collected by authorized agent banks;
- h. Deposits and/or borrowings from the Central Bank for

purposes of relending in connection with CB-administered funds;

- i. Proceeds of rediscounting, repurchase agreements and other credit facilities with the Central Bank; and
- j. Any other form of deposits and/or borrowings specifically authorized by law or exempted by the Monetary Board.

SEC. 5. *Application for authority.* — Private banks may file an application for authority to accept deposits from the Government and government entities with the appropriate supervising and examining department of the Central Bank, stating among other particulars, the Government office or entity concerned, its location, the type/s of deposits to be accepted and the amount thereof which shall be limited primarily to the payroll requirements of said Government office or entity. The letter of authority shall fix the terms and conditions for the acceptance of such Government deposits. All existing authorities shall remain valid subject to the conditions of the authority.

SEC. 6. *Sanctions.* — Any violation of this Circular shall be a ground for the imposition of the following sanctions:

- a. The deposit account with the Central Bank of the bank concerned shall be debited by the Accounting Department of the Central Bank in the amount of the unauthorized deposit or borrowing upon receipt of a report or notice from the appropriate supervising and examining department of the Central Bank and the deposit account of the PNB with the Central Bank shall be credited for the same amount. A copy of said report or notice of the supervising and examining department shall be furnished each to the bank concerned and the PNB;
- b. Any bank with deficiency in the required liquidity floor against deposits of, and/or borrowings from, the Government and government entities or with excess holdings of such deposits shall (1) be denied the credit facilities of the Central Bank; and (2) if the deficiency lasts for four (4) consecutive weeks, the bank shall be prohibited from declaring cash dividends and making new loans and investments, except investments in government securities. The prohibition shall be lifted by the Governor or the Senior Deputy Governor upon certification by the appropriate supervising and examining department that the bank has had no deficiency in its liquidity floor and no excess holdings of government deposits for at least four (4) consecutive weeks;

- c. In the case of non-bank financial intermediaries, the authority to engage in quasi-banking functions by the entity concerned may be suspended for a certain period of time as may be determined by the Monetary Board, but in no case shall the period of suspension be less than thirty (30) calendar days from receipt of advice to this effect; and
- d. The withdrawal of previously granted authority to accept government funds.

The foregoing sanctions shall be without prejudice to the imposition of other administrative sanctions prescribed under Section 34-A of Republic Act No. 265, as amended, and the penalties as prescribed under Section 34 of the same Act.

SEC. 7. *Repealing clause* — This Circular supersedes Circulars No. 163, 166, 175, 179, 180, 189, 200, 205, 206, 220, 231, 446, 481 and 488, and repeals or modifies other regulations inconsistent herewith.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 674
May 11, 1979

Pursuant to Monetary Board Resolution No. 712 dated April 6, 1979, and to the provisions of the Cooperative Marketing Project Loan Agreement between the Republic of the Philippines and the United States of America dated May 3, 1978, the attached Rules and Regulations Governing the Operation of the Cooperative Finance System is hereby issued for the guidance of all concerned.

This circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

Attachment

RULES AND REGULATIONS GOVERNING THE OPERATIONS OF THE COOPERATIVE FINANCE SYSTEM

The Cooperative Finance System (CFS) is specially designed to effectively lend and invest the Cooperative Marketing Project (CMP) loan and trust funds with well-managed and credit-deserving Area Marketing Cooperatives (AMCs) and the Cooperative Marketing System of the Philippines (CMSP) so that they could in turn efficiently serve the input and marketing needs of their members.

The following rules and regulations are hereby promulgated to govern the operations of the CFS, particularly, the Cooperative Finance Group when it lends and invest the CMP funds to AMCs thru Cooperative Rural Banks (CRBs):

Section 01. *Definition of Terms*

Unless otherwise specified, the following terms used in these Rules and Regulations shall mean:

- 1.01 Cooperative — Shall mean only organizations composed primarily of small producers and of consumers who voluntarily join together to form business enterprises which they themselves own, control or patronize. A *small producer* shall mean a self-employed individual who, by himself or with his family provides the primary labor requirements of his business enterprise or one who earns at least fifty per cent (50%) of his gross income from the payment, proceeds or income of the labor he provides.
- 1.02 Samahang Nayon — a body corporate composed primarily of small farmers residing and/or farming within the geographical limits of a barrio for the purpose of improving the quality of life of the barrio people.
- 1.03 Area Marketing Cooperative (AMC) — A voluntary business association of at least ten (10) Samahang Nayons and pre-cooperatives engaged primarily in the marketing of the produce of its members as well as in the supply of their production inputs and other requirements.
- 1.04 Cooperative Rural Bank (CRB) — A rural bank organized by duly established cooperatives and samahang nayons, registered with BCOD and approved by the Central Bank under the Rural Banks Act, as amended (R.A. No. 720).
- 1.05 Loan Fund — That portion of USAID loan and Philippine Government Counterpart funds earmarked for lending to AMCs and CMSP.

- 1.06 Trust Fund for AMC's — That portion of USAID loan earmarked for the purpose of expanding the equity base of AMCs.
- 1.07 Guarantee Fund — A fund established to cover possible losses arising from uncollected loans which cannot be covered by the liquidation of collaterals in accordance with pertinent provisions in these guidelines.
- 1.08 Cooperative Finance Group (CFG) — A special unit in the Central Bank under the administration of the Department of Rural Banks and Savings and Loan Associations, created for the purpose of providing specialized handling, monitoring, supervision and servicing of loans to cooperatives made through CRB/Lenders.
- 1.09 Debt-Equity Ratio — Refers to the ratio of liability to the net worth.
- 1.10 Special Time Deposit (STD) — Funds made available to accredited CRB/Lender to backstop the financial assistance extended to a cooperative by CFG.
- 1.11 Disposable Earnings — Refers to the balance of net income plus non-cash expense items, after setting aside (a) 10% of net income each for cooperative education/training and General Reserve Fund and (b) 1% of gross income as Kilusang Bayan Guarantee Fund.

Section 02. *General Credit Policies*

- 2.01 The extension of credit shall be consistent with sound lending and business principles so that the agricultural cooperatives may prosper and grow in size, scope and quality of service to their members.
- 2.02 A loan to an eligible cooperative shall be based upon sound credit factors. It should be in an amount sufficient to accomplish the purpose for which it is intended and provide terms and conditions which reasonably assure repayment and protect the cooperative's credit base.
- 2.03 Applicant cooperative must have capital contributions sufficient to meet the debt-equity ratio prescribed under this guidelines.
- 2.04 Terms loans that may be granted to an eligible cooperative shall be such that its total outstanding term liabilities would not exceed a debt-equity ratio of two to one.

2.05 The Cooperative Finance System shall pursue a policy of a total financing package for eligible cooperatives subject to a loan and capital package provided that:

- (a) The amortizations of the term loan component must be repaid from disposable earnings of the cooperative; and
- (b) The retirement of the capital assistance component must be paid from a capital build-up agreed to by the cooperative members and made a part of the loan agreement.

2.06 Each borrower shall be required to invest 5% out of advances on term loans and 3.75% out of advances on seasonal loans (except re-advances made within the year) in a Guranteed Fund established to cover losses arising from uncollected loans which cannot be covered by the liquidation of collaterals. Each borrower is to make investments at the above rates until such time as the amount of investment in the Guarantee Fund equals 10% of the borrower's maximum combined loans outstanding in the previous year.

The funds are to be invested in prime securities by the CFG and the interest income shall accrue to the benefit of each borrower.

Any net loss suffered from uncollected loans granted under this program shall be chargeable up to eighty five per cent (85%) against the Guarantee Fund and the balance of fifteen percent (15%) against the CRB/Lender. Losses shall first be charged against the investment of the delinquent borrower in the guarantee fund. Any remaining losses will be charged against the investment of other borrowers.

Section 03. *Types of Financing*

Loan and capital funds made available utilizing USAID Loan and Philippine Government Counterpart funds at the CMP may be utilized for any or a combination of the following types of financing:

3.01 Loans; Purposes;

- (a) Seasonal operating capital and commodity loans may be extended to finance increase in inventories and receivables within a period of twelve months.
- (b) Term loans may be granted for long term or permanent working capital, for facilities and other non-current assets payable on amortization basis within a period of six to ten years.
- (c) Special term loans may be extended to supplement equity capital under unusual and compelling circumstances where trust fund investment in equities may not be desirable or feasible. Such loans shall be

paid normally out of proceeds from equity investment by members under a scheduled or budgeted equity building program that is additional to other loan repayment programs. The term shall not exceed ten years.

3.02 Joint or Split Financing:

A number of cooperatives which have loans outstanding to the Cooperative Development Loan Fund (CLDF) and the Agricultural Credit Administration (ACA) may need additional credit. Loans may be made to these cooperatives provided satisfactory arrangements can be made with the other lenders; for dividing collaterals, deferrals where necessary, appropriate repayment programs, etc. so that loans made under this authority can be granted on a sound basis.

In some cases, cooperatives rent operating facilities owned by ACA. In the event that it is determined to be desirable, arrangements might be made whereby the borrower may acquire such facilities by issuing preferred stocks for the purchase cost or that ACA may be willing to sell the facilities under a long term purchase contract to be paid out of a separate program for repaying regular loans, or on a long term loan purchase contract. Split financing will be involved and should be allowed on the condition that satisfactory arrangements can be worked out with ACA and/or CDLF.

3.03 *Trust Fund Investment*

Investment in preferred stocks of cooperatives not to exceed 100% of their paid-up capital or ₱1,000,000, may be made to supplement equity capital owned by members in order to provide an adequate capital base to support the regular term and seasonal loans that may be granted. Preferred stocks shall be preferred as to assets but not as to interests and shall earn interests only when interests are declared for common stocks and shall earn at a rate equal to 1/5 of the rate declared for common stocks.

The preferred shares representing Trust Fund Investment in the capital stock of a cooperative shall be retired within a period of ten (10) years in accordance with the capital build-up program of the AMCs to be reckoned from the date of each release of capital assistance.

Section 0.4 *Authorized Lenders*

Any cooperative Rural Bank/lender that meets all the following requirements may be allowed to participate under this program.

4.01 Cooperative Rural Bank —

- (a) It must be operating substantially in accordance with laws, rules and regulations and directives of the

Monetary Board;

- (b) Its ratio of past due loans to total loans outstanding does not exceed 25% at the time of application;
- (c) Its risk asset ratio should not fall below the 10% minimum requirement with the grant of the AMC loan being applied for;
- (d) There must be no directive either from the Governor/Monetary Board prohibiting it from receiving financial assistance from the Central Bank.

4.02 Other financing institution not under the supervision of the Department of Rural Banks & Savings and Loan Associations —

- (a) Those certified by the appropriate Departments in the Central Bank supervising the same as operating substantially in accordance with laws, rules and regulations and directives of the Monetary Board;
- (b) The applicable requirements under 4.01 (b), (c) and (d).

Section 05. *Eligible Borrowers*

Cooperatives eligible to avail of loans and capital assistance from the CB-CFG through participating CRBs/Lenders under this program are the following:

5.01 Cooperatives, particularly AMCs (as defined in Section 1), which meets/agrees to meet all the following requirements;

- (a) Those registered or re-registered with the Bureau of Cooperative Development;
- (b) The main business activities are:
 - i. The supply of certified seeds, fertilizers, farm inputs to members;
 - ii. The buying, storing, transporting, processing and marketing the produce of their cooperative members; and
 - iii. A combination of the supply of farm inputs and the marketing of the produce of members.
- (c) At least 50% of the total business of the AMC must be with its members.
- (d) Share capital shall earn interest at rates prescribed by the Ministry of Local Government and Community Development.
- (e) All declaration of cash interests on share capital and patronage refunds shall be made only after prior approval by the CFG.

5.02 The Cooperative Marketing System of the Philippines (CMSP) subject to the following:

- (a) The purpose of the loan shall be to further improve the facilities and/or capabilities of the CMSP in supplying farm inputs to AMCs and in the trans-

porting, storing, processing and marketing of the produce of the AMC's farmer/poultry & livestock raiser/fishermen members.

- (b) Total loan availments will not exceed the limitation provided in the CMP Loan Agreement.

Section 06. *Credit Requirements*

The Cooperative Finance Group may grant credit on the basis of careful analysis of, but not limited to, the following major credit factors:

6.01 Management —

A cooperative seeking or obtaining credit should have responsible, competent and cooperative management and board directors.

6.02 Loan Purpose and Terms —

The purpose shall be for a constructive use, as those defined in Section 3.01, to further improve the cooperative's services to its members and patrons. The terms shall be in accordance with those prescribed under Section 8.01.

6.03 Repayment Ability —

(a) Term loans — The determination of repayment ability requires through analysis of the adequacy of historic and projected cash flows arising from operating margins, or retains out of payment for products, or from scheduled investments by members that will be available to meet loan repayments and build net worth.

(b) Seasonal loans — The determination of the repayment ability of seasonal loans requires an analysis of the cooperatives ability to properly utilize the loan and revolve its current assets. A seasonal loan should be related to the value of the current assets being financed or to the net working capital position margining or supporting the loan.

6.04 Financial Condition and Operations

Sound financial condition and operations require the ability of the borrowing cooperative to honor obligations, to continue as an effective business organization and to protect the lender from undue risk in case of adversity. Financial analysis includes the evaluation of the assets and their compositions, the quantity and quality of net working capital, currency of liabilities and make-up of the net worth as evidence by balance sheets and supporting schedules. Operational analysis includes the evaluation of the type and volume of business, operating efficiency and net earnings as represented by profit and loss statements together with related schedules.

6.05 Economic Environment —

2 An analysis of the economic environment should be made of the need for the cooperative and its ability to provide goods or services to its members at competitive prices. The report should include an analysis of member support, either direct or through the SN, an analysis of competition, industry trend, any changes in the type of agricultural production, government policies and the legal climate in which the operations are conducted.

Section 07. *Amount of Loan*

The amount or size of loan/financial assistance is determined according to the corporate needs of an applicant based on the feasibility study submitted which should be within the debt-equity ratio provided in this guidelines, but such loan shall be granted only to the extent of the amount needed which should be within the applicant's capacity to pay and the loan value of his collateral securities.

Section 08. *Loan Periods; Extension Periods;*

8.01 The loan periods shall be adopted to the kind of loan applied for:

- (a) Seasonal commodity loan shall have a term of not exceeding 180 days.
- (b) Seasonal operating loan shall have a term of not exceeding one year.
- (c) Term loan shall have a term of not exceeding six to ten years.
- (d) Special term loan shall have a term of not exceeding ten years.

8.02 In cases of default by a borrower arising from fortuitous events or force majeure, the CRB or other lender may, with prior approval of the CFG Loan Committee, allow restructuring of the loans.

Section 09. *Collateral Security; Loan Value;*

The type and amount of collateral required should be governed by the relative strengths and weaknesses of the cooperative's/AMC's credit factors. Collateral should not be used as a sole basis for extending credit but it should nevertheless be sufficient to provide the lender reasonable protection from loss in the case of adversity.

9.01 Whenever necessary and to assure reasonable safety, loans shall be granted with collateral security, such as:

- (a) Seasonal commodity loans shall be secured by eligible commodities or products pledged under satisfactory warehouse receipts or other title document or lien and by assigned current accounts receivable when arising from sale of pledged commodities.

- (b) Seasonal operating capital loans shall be secured by chattel mortgage or other first lien on revolving receivables and inventories.
- (c) Term loans shall be secured by real estate and chattel mortgage on fixed assets such as land, building, machinery and equipment including rolling stocks.

9.02 Loan Value;

- (a) 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 insured improvements, and such loans shall not be made unless title to the real estate, free from all encumbrances, shall be in the mortgagor.
- (b) Similarly, loans on the security of chattels shall not exceed fifty per cent (50%) of the appraised value cost if new) of the security, and such loans shall not be made unless title to the chattels, free from all encumbrances, shall be in the mortgagor.
- (c) Where the CRB/Lender has effective control of the agricultural products given as security, the amount of loan may be increased to the extent of seventy per cent (70%) of their marketable value in the case of rice, corn and sugar, and sixty per cent (60%) of the marketable value of other stored non-perishable crops.
- (d) Where the assigned accounts receivable arose from sale of pledged commodities to government agencies/instrumentalities and responsible private corporations/entities, the amount of loan shall not exceed seventy per cent (70%) of such assigned receivables.

Section 10. *Interest Rates*

- 10.01** Interest shall be charged the borrowers at a rate of nine per cent (9%) per annum for seasonal operating and commodity loans and eight per cent (8%) per annum for term and special term loans. No interest shall be collected in advance and no service charge are allowed to be collected.
- 10.02** Interest to be charged CRBs or other lenders on Special Time Deposits shall be at four per cent (4%) per annum on seasonal operating and commodity loans and at five per cent (5%) per annum on term and special term loans.

Section 11. *Loan Repayment Schedule*

Repayment shall be scheduled in approximately equal install-

ments of principal and interest, monthly, quarterly or semi-annually, except in cases where payment plans have been granted so arranged as to fall due on the approximate periods of borrowers highest income or when the principal income of the borrower is available.

Section 12. *Lending Procedures*

12.01 Application for Financial Assistance —

- (a) Any eligible cooperative seeking financial assistance under this program must file with the nearest authorized CRB/Lender the following:
 - i. Duly accomplished application form for loan and/or capital assistance;
 - ii. Project feasibility study on the object of financing;
 - iii. Certificate of incumbency, listing officers of the cooperative, their addresses, signatures and expiration of term;
 - iv. Board resolution authorizing certain officer to negotiate and contract for financial assistance;
 - v. Latest audited financial statement and operations;
 - vi. Comparative financial statement and operations for the last three years;
 - vii. Certified copy of by-laws and articles of incorporation together with all amendments thereto.
- (b) Upon proper positive evaluation of the application for loan and/or capital assistance submitted by a borrowing cooperative, the CRB/Lender shall forward the application to the CB-CFG together with the following:
 - i. CRB/Lender board resolution endorsing the cooperative's application for financial assistance;
 - ii. CRB's/Lender's application for Special Time Deposits for the loan component;
 - iii. CRB's/Lender's latest financial statements.

12.02 Processing and Evaluation

CB-CFG shall review and evaluate the application for loan and/or capital assistance. Field investigation shall be conducted to determine the actual purpose of loan and/or capital assistance, the eligibility of the applicant, the existence and condition of the securities offered and gather facts necessary to determine the viability and feasibility of the project. Recommendations made in the Business Analyst's report shall be the basis for the action of CFG-Loan Committee on the loan application.

12.03 Approval/Notice of Final Action —

- (a) The CFG Loan Committee shall take appropriate action on all application for loans and/or capital assistance together with the CRB's/Lender's application for STD and shall prescribe the terms and conditions of the covering loan agreements. Pursuant to Monetary Board Resolution No. 657, dated April 21, 1978, all loans exceeding 15% of the net worth of the sponsoring lender, shall be subject to the approval of the Director of the DRBSLA and the confirmation by the Monetary Board.
- (b) Upon confirmation by the Monetary Board, the CFG shall inform:
 - i. The applicant cooperative and lender of the final action taken thereon so that they could complete the required documentation.
 - ii. The BCOD, NEDA and USAID so that funds therefor could be released to CB-CFG.

12.04 Release of Loan Proceeds —

Upon receipt of fund from USAID through NEDA, the CFG shall release the proceeds of STD to the CRB/Lender and/or subscribe to the preferred shares of the applicant cooperative thru the CRB. The CRB/Lender shall then deposit the proceeds of STD in a separate bank account and release the same to a special savings account in the name of borrowing cooperative upon completion of the loan documents such as promissory notes, loan agreements, etc. are accomplished. Withdrawal from the SSD shall be subject to actual need and approval by the CRB/Lender manager/loan officer.

Section 13. *Use of Funds Borrowed; Diversion;*

The proceeds of a loan shall be used only for the purposes for which it was granted; if used to other purposes, the contract of loan shall be deemed cancelled and the lending institution shall immediately demand repayment of the amounts released, without prejudice to the criminal prosecution of the borrower under the law.

Section 14. *Application of Payments; Remittance to CB-CFG;*

- 14.01 Any payment made by a borrower to CRB/Lender shall first be applied to the interest due and payable; the balance, to the principal of the loan.
- 14.02 Collections from the borrowing cooperative shall be remitted to CB-CFG within five (5) days from date of receipt, otherwise, the CRB/Lender shall pay an amount equivalent to one percent (1%) per month on the amount due as liquidated damages in addition to the interest rates prescribed under Section 10:

Section 15. *Default; Foreclosure;*

In cases where diligent collection procedures fail and where forbearance is not deemed advisable, the lender and CFG shall take immediate action deemed appropriate under the circumstances.

The right to foreclose real/chattel mortgages, pledged commodities and assigned assets arises from the time the borrower defaults in the payment of the loan/amortizations or violates any condition of the loan agreement.

Section 16. *Effectivity; Amendments;*

These Rules and Regulations shall take effect upon approval of the Monetary Board.

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CIRCULAR NO. 675
May 11, 1979

TREATMENT OF MATURED AND
UNCLAIMED DEPOSIT SUBSTITUTES

The Monetary Board, in its Resolution No. 795 dated April 27, 1979, approved the following regulations in relation to Circular No. 438 on the treatment of matured and unclaimed deposit substitutes by banks and non-bank financial intermediaries performing quasi-banking functions in the absence of any written agreement between the lender and borrower as to withdrawal, renewal or roll-over or other disposition thereof:

SECTION 1. Banks and non-bank financial intermediaries performing quasi-banking functions shall continue to hold such matured and unclaimed liabilities as deposit substitutes subject to reserves.

SEC. 2. A matured and unclaimed deposit substitute shall be payable on demand and shall earn interest at the rate applicable to a deposit substitute with a maturity of fifteen (15) days. Such rate when added to the thirty five per cent (35%) transaction tax on money market placements, commissions, premium fees and other charges shall not exceed the effective rate of interest of fifteen per cent (15%) per annum, as provided under Section 2.2 of Circular No. 585 dated December 24, 1977.

SEC. 3. Violation of this Circular shall be subject to the sanctions prescribed in Sections 34 and 34-A of Republic Act No. 265,

as amended, and in case of investment houses, to the sanctions in Sections 12 and 16 of Presidential Decree No. 129.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 676
May 17, 1979

AMENDING CIRCULAR NO. 558

The Monetary Board, in its Resolution No. 837 dated May 4, 1979, approved the amendment of Circular No. 558 on the required operations/management audit of banks as follows:

SECTION 1. Item No. 5 of Circular No. 558 is hereby amended to read as follows:

“5. Each bank shall cause an annual operations/management audit and a financial audit as required under Section 6-D of R.A. No. 337, as amended, to be conducted simultaneously not later than thirty (30) days after the close of the calendar year or the fiscal year adopted by the bank. Reports on such audits shall be made separately and submitted to the board of directors and the appropriate supervising and examining department of the Central Bank not later than ninety (90) days after the start of such audits.”

SEC. 2. Item No. 6 of the same Circular is hereby amended to read as follows:

“6. The board of directors, in a regular or special meeting, shall consider and act on the operations/management audit and financial audit reports and shall submit, within 30 days after receipt of the reports, a copy of its resolution to the appropriate supervising and examining department of the Central Bank. The resolution shall show, among other things, the names of the directors present and absent, the actions taken on the findings and recommendations as well as the measures adopted by the board of directors to improve or update the bank's managerial/operational performance, policies and practices, and its systems and procedures.”

SEC. 3. Items No. 7 and 8 of the same Circular are hereby repealed.

This Circular shall take effect immediately on January 1, 1980.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 677
May 21, 1979

Pursuant to Monetary Board Resolution No. 864 dated May 4, 1979, Sections 13 and 15 of the Rules and Regulations Governing the Lending Program Under the Cottage Industry Fund (CIF) are hereby amended, to read as follows:

"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 4% interest on the STD."

"Section 15. Rate and Term of Rediscounting

The CB-DLC shall rediscount eligible loans granted under this program at 100% of the loan at the rate of 3% 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."

The provisions of Item 1 of Circular No. 672 dated April 6, 1979 (implementing Monetary Board Resolution No. 657 dated March 30, 1979), shall not be applicable to loans covered by the Lending Program Under the Cottage Industry Fund (CIF).

This Circular shall take effect immediately and all existing

circulars, orders and/or instructions inconsistent herewith are deemed revoked and/or modified accordingly.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 678
May 28, 1979

**GUIDELINES GOVERNING THE ESTABLISHMENT
OF BANKING OFFICES (EXCEPT MONEY SHOPS
AND SAVINGS AGENCIES) OF THRIFT BANKS**

The Monetary Board, in its Resolution No. 913 dated May 11, 1979, approved the amendment, consolidation and reissuance of the guidelines governing the establishment of banking offices (except money shops and savings agencies) of thrift banks:

SECTION 1. *Prior Monetary Board Approval.* — No thrift bank shall establish, open or operate branches and other banking offices, or transact business, such as the receipt and payment of deposits, outside the premises of its duly authorized principal office, without the prior approval of the Monetary Board.

SEC. 2. *Citizenship Requirements.* — A bank applying for authority to establish additional banking offices must comply with the following requirements:

- a. At least seventy per cent (70%) of the voting stock shall be owned by Filipinos except when such required minimum percentage is reduced to sixty per cent (60%) pursuant to law;
- b. At least two-thirds (2/3) of the members of the board of directors shall be Filipinos: *Provided*, That in the case of private development banks, all board members shall be Filipinos.

SEC. 3. *Capital Requirements.* — The applicant bank shall comply with the required minimum paid-in capital as follows:

- a. For savings and mortgage banks with head offices located within —

- | | | |
|-----|--|-------------|
| (1) | The Greater Manila Area
and fringes thereof | ₱10 million |
| (2) | Other Places | 5 million |
- b. For private development banks and stock savings and loan associations located within —
- | | | |
|-----|---|-------------|
| (1) | The Greater Manila Area and
fringes thereof or First Class A
cities | ₱ 4 million |
| (2) | First Class B and C, Second
and Third Class cities | 3 million |
| (3) | Fourth and Fifth Class cities
and in other places | 2 million |

or show compliance with an approved capital build-up program or plan to increase its paid-in capital in accordance with the foregoing minimum capital requirements.

For this purpose, Sections 1 and 3 of Presidential Decree No. 465 shall govern the classification of cities.

Stock savings and loan associations which have not fully complied with the minimum paid-in capital requirement shall put up additional capital in an amount determined by the appropriate supervising and examining department of the Central Bank in accordance with the prescribed formula on adequacy of bank capital for every additional unit regardless of whether the banking offices are to be established in the Greater Manila Area or fringes thereof or in other areas until such time as the required minimum capital is reached: *Provided*, That an association wishing to establish a banking office in an area of a higher classification than that of the area where its head office is located shall also be required to contribute the difference between the minimum paid-in capital it is required to meet under its approved build-up program and that capital required of banks in the area of its proposed banking office. The additional capital required in this paragraph shall have been contributed prior to the issuance of the Certificate of Authority to operate the banking office.

A bank which has fully complied with the minimum paid-in capital requirement shall put up additional capital as may be required in accordance with the prescribed formula on capital adequacy: *Provided*, That a bank wishing to establish a banking office in an area of a higher classification than that of the area where its head office is located shall also be required to contribute immediately the dif-

ference between the existing paid-in capital and the required minimum capital for banks whose head offices are located in such higher class area.

SEC. 4. *Other Requirements/Factors to be Considered.*

Other requirements/factors to be considered are the following:

- a. The applicant's general compliance with laws, rules, regulations and policies of the Central Bank such as:
 - (1) Capital adequacy and solvency;
 - (2) Profitability and capacity to absorb losses;
 - (3) Reserve and liquidity position; and
 - (4) Qualifications of the proposed officers of the banking office;
- b. The "service area" of the proposed banking office is not overbanked and shows economic growth or reasonable prospects thereof. "Service area" is defined as a pocket of concentrated economic activity, not necessarily a geographical area.

The service area is overbanked if (1) the rates of return are so depressed by an excess of banks in the area that adequate banking performance for the customers' benefit is threatened in the long run; and (2) the level of deposits of banks in the area or their growth indicates no reasonable prospects that the situation in (1) above will be reversed in the short run;

- c. A certification under oath by the bank's Executive Vice President or any officer of equivalent rank to the effect that application bank has no float items in its Due From/To Head Office/Branches/Offices accounts as well as its Due From Central Bank account which are outstanding for more than sixty (60) calendar days exceeding one per cent (1%) of its total resources as of the end-of-month nearest to application date shall be submitted.
- d. Proposed banking offices shall be at least ten meters away from any existing bank/branch or from any approved but not yet opened bank/branch except where they are separated by a street;
- e. Proposed banking offices shall not be allowed in premises purchased, acquired or leased to the disadvantage of another bank under circumstances attended by bad faith or abuse of economic power; and
- f. Applicant bank shall submit a written declaration under

oath of (1) the manner of occupancy/acquisition of the premises and the consideration for the lease, purchase or acquisition of such premises; and (2) the name of the previous owner, lessor and lessee, indicating the banking institutions, if any, which had previously occupied such premises.

SEC. 5. *Conditions Precluding Acceptance of Application* —

The application for the establishment of additional offices shall not be accepted by the Central Bank from an applicant 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 shall not have authorized but unopened offices in excesss of the limitations herein prescribed.

The prescribed ceiling on applications may be increased on a case-to-case basis upon prior approval of the Governor, on the basis of resources, personnel capability and generally, a demonstration of the capability of the bank to organize and staff an increased number of banking offices within a reasonable time.

SEC. 6. *Conditions Precluding Processing of Application*. —

The existence of any of the following conditions shall preclude/ suspend processing of the application:

- a. The applicant's operation during the year immediately preceding the filing of application was unprofitable;
- b. The applicant has failed to comply with its approved program of increase in paid-in capital;
- c. The applicant has not complied with the ceilings on credit accommodations to directors, officers, and/or stockholders;
- d. The combined capital accounts of the applicant are found to be deficient for five (5) or more times within a thirty (30) day period during the last six (6) months immediately preceding the date the application was received, in which case its privilege to establish banking offices shall be suspended for the next sixty (60) calendar days without prejudice to the resubmission of its application after said period;
- e. The combined capital accounts of the applicant are found to be deficient continuously for a period of thirty (30) days or more during the last twelve (12) months immediately preceding the date the application was received, in which case its privilege to establish banking offices shall

be suspended for the next twelve (12) months without prejudice to the resubmission of its application after said period;

- f. The application has incurred net deficiencies in reserves against deposit liabilities, in which case its application shall be processed only after it shall have had no net reserve deficiencies for eight (8) consecutive weeks: *Provided*, That in case the applicant had incurred net deficiencies in reserves for eight (8) consecutive weeks during the last twelve (12) months immediately preceding the date the application was received, its privilege to establish banking offices shall be suspended for the next twelve (12) months without prejudice to the resubmission of its application after said period;
- g. The applicant has transferred the location of banking offices without Central Bank authority, in which case the receipt/processing of applications shall be suspended for a period of at least six (6) months from date of knowledge of the Central Bank; or
- h. The bank has not complied with the investment-deposit ratio for four (4) consecutive quarters immediately preceding the date the application was received.

SEC. 7. *Priority in Processing.*

- a. Only applications complete with the minimum documents required by the supervising and examining department concerned shall be accepted for any area on a first-come, first-served basis, regardless of whether or not there are approved but unopened banking offices in the area: *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.
- b. The mere filing or pendency of an application for the establishment of a banking office in a particular area shall not give an applicant priority over other applicants with respect to such area. Preference shall be given to the application which satisfies all Central Bank requirements. If two or more applications satisfy all Central Bank requirements, the application which was filed first shall be given preferential consideration.

SEC. 8. *Date of Opening.*

- a. Approved banking offices shall be opened within six (6)

months from date of approval thereof: *Provided*, That an applicant bank may be given a final extension of another three (3) months subject to presentation of justification and valid reason for the bank's failure to open within the six (6) month period and proof that said banking office can be opened within the succeeding three (3) month period.

- b. Any bank which exceeds the prescribed limits on authorized but unopened banking offices as of May 4, 1977 shall be allowed to open said offices during the period already authorized for their opening.
- c. Offices authorized to be established under the second paragraph of Sec. 5 hereof shall have no extension of the prescribed date for their opening.

SEC. 9. *Repealing Clause.* — This Circular repeals Memorandum to All Stock Savings and Loan Associations No. 7 dated 29 January 1974 and Circular Letter to All Thrift Banks dated 16 October 1975, and repeals, amends or modifies all other existing regulations inconsistent herewith.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 679
May 28, 1979

MAXIMUM INTEREST RATES ON BANK DEPOSITS

The Monetary Board in its Resolution No. 980 dated May 25 1979, approved the amendment, consolidation and reissuance of the regulations to govern the payment of interest on deposits in all banking institutions:

SECTION 1. *Demand Deposits* — No interest shall be paid on demand deposits.

SEC. 2. *Savings Deposits*

- a. *Commercial Banks, the Development Bank of the Philippines and the Land Bank of the Philippines* — The maxi-

mum rate of interest on savings deposits in commercial banks, 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.
- d. Where interests are computed daily/monthly/quarterly, banks shall use a 360-day year.

SEC. 3. *Time Deposits*

- a. *Term of Time Deposits* — No time deposits shall be accepted for a term of less than ninety (90) days.
- b. *Minimum Size of Deposit* — Banks should not impose a minimum amount of time deposit greater than ₱100.00.
- c. *Time of Payment* — Interest on time deposits may be paid at maturity or upon withdrawal or in advance; provided, however, that interest paid in advance shall not exceed the interest for one year. Time deposits having a maturity period of more than 360 days or twelve (12) months from date of deposit may be paid interest thereon at the end of every 12 months and at maturity.
- d. *Schedule of Interest Rates* — The maximum rates of interest on time deposits shall be according to the following schedule:

- (1) *Commercial Banks, the Development Bank of the Philippines and the Land Bank of the Philippines:*

90-179 days -----	8-1/2%
180-359 days -----	9 %
360-539 days -----	10 %
540-729 days -----	11 %
730 days -----	12 %

(2) *Thrift Banks and Rural Banks:*

90-179 days	-----	9 %
180-359 days	-----	9-1/2%
360-539 days	-----	10-1/2%
540-729 days	-----	11-1/2%
730 days	-----	12-1/2%

e. *Treatment of Matured Time Deposits* — A time deposit not withdrawn or renewed on its due date shall be treated as a savings deposit and shall earn interest as such from date of maturity to date of actual withdrawal or renewal.

f. *Withdrawal Before Maturity Date* — The interest of a time deposit withdrawn before the maturity date fixed in the Certificate of Time Deposit shall be as follows:

(1) For a time deposit with original maturity of seven hundred thirty (730) days or less, the maximum interest shall be as follows:

(a) *Commercial Banks, the Development Bank of the Philippines and the Land Bank of the Philippines*

Original Maturity Period	Interest Rate Per Annum Based on Holding Period after Placement				
	1-89	90-179	180-359	360-539	540-729
90-179 days	5-1/2%	6%	—	—	—
180-359 days	5-1/2%	6%	7%	—	—
360-539 days	5-1/2%	6%	7%	8%	—
540-729 days	5-1/2%	6%	7%	8%	9%
730 days	5-1/2%	6%	7%	8%	9%

(b) *Thrift and Rural Banks*

Original Maturity Period	Interest Rate Per Annum Based on Holding Period after Placement				
	1-89	90-179	180-359	360-539	540-729
90-179 days	6%	6-1/2%	—	—	—
180-359 days	6%	6-1/2%	7-1/2%	—	—
360-539 days	6%	6-1/2%	7-1/2%	8-1/2%	—
540-729 days	6%	6-1/2%	7-1/2%	8-1/2%	9-1/2%
730 days	6%	6-1/2%	7-1/2%	8-1/2%	9-1/2%

(2) For a time deposit with original maturity of over seven hundred thirty (730) days, interest shall not be

lower than the rates prescribed below:

		Interest Rate Per Annum Based on Holding Period after Placement					
		1-89	90- 179	180- 359	360- 539	540- 729	730 or over
(a)	Commercial Banks, the Develop- ment Bank of the Philip- pines and the Land Bank of the Philippines	5-1/2%	6%	7%	8%	9%	10%
(b)	Thrift and Rural Banks	6%	6-1/2%	7-1/2%	8-1/2%	9-1/2%	10-1/2%

Provided that, if interest has been paid in advance, the corresponding rebate shall be charged against the principal of the time deposit.

- g. *Number of Days Comprising a Year* — When the term is one (1) year or more, a year shall mean 365 days. When the term is less than one (1) year, the interest shall be computed on the basis of 360 days in a year.

It is understood however that for time deposits with maturities of 361-364 days, the basis of computation of interest shall be 365 days.

SEC. 4. *Repealing Clause* — This Circular supersedes Circular No. 492, as amended by Circulars No. 584 and 611; and repeals, amends, or modifies other rules and regulations inconsistent herewith.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 680
June 4, 1979

Pursuant to Monetary Board Resolution No. 942, dated May

18, 1979, Circular No. 624, dated August 11, 1978, regarding the guidelines on the Grains Quedan Financing Program, specifically Item IV-C.3 thereof, is hereby amended so as to increase the loan value of grains quedan from 50% to 70%.

This Circular shall take effect immediately.

(SGD.) AMADO R. BRÍÑAS
Senior Deputy Governor

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CIRCULAR NO. 681
June 21, 1979

[The Monetary Board, in its Resolution No. 1060 dated June 8, 1979, decided, to amend letter d, Section 3 of Circular No. 659, as follows:

- “d. *Trust indenture; collaterals; sinking fund.* — A trust indenture shall be executed between the issuer and a qualified trust corporation as trustee, which shall neither be an affiliate nor a subsidiary of the issuer.

The following shall be deemed as eligible collateral and shall be maintained at respective values indicated in relation to the face value of the bond issue:

- | | |
|--|--|
| (1) Government Securities, including Central Bank Certificates of Indebtedness (CBCIs) | — Aggregate Current Market Value of 100% |
| (2) High-grade Private Securities listed in the big board of stock exchanges | — Aggregate Current Market Value of 150% |
| (3) Real Estate | — Net Book Value of 100% |
| (4) Unmatured Receivables Acquired with Recourse; Lease Contracts Receivable | — Net Book Value of 150% |

(5) Unmatured Receivables	— Net Book Value of
Acquired without	200%
Recourse	

Government securities including CBCIs, private securities, certificates of title and documents evidencing receivables offered as security shall be physically delivered to the indenture trustee.

The issuer may, at his option, provide for the retirement at maturity of the bond issue through a sinking fund to be deposited with and managed by the indenture trustee."

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 682
July 3, 1979

Pursuant to Monetary Board Resolution No. 1160 dated June 22, 1979, the provisions of Section 1.A.2 of CB Circular No. 610, as amended by Circular 635 and 672, dated October 12, 1978 and April 6, 1979, respectively, is hereby further amended to read as follows:

SECTION 1. *Loan Values and Interest Rates*

	CB Rediscount Rate (per annum)	Maximum Bank Lending Rate (per annum)
1.A. <i>Eligible Paper with One Year Maturity or Less</i>		

For Rural Banks —

xx xx xx

xx xx xx

xx xx xx

1.A.2. Non Supervised
Credits:

Papers for food
production/pro-

cessing, seeds and			) 12% for se-
seedlings produc-			) cured loans
tion and domestic			) (plus service
fertilizer pro-			) and bank
duction	100%	3%	) charge of 1% p.a.
			) 14% for un-
Agrarian Reform			) secured loans
Agricultural			) (plus service
(non-food produc-			) and bank
tion), Industrial			) charge of 1%
and Commercial			) p.a.)
Papers	80%	4%	

xx xx xx

xx xx xx

xx xx xx

This Circular shall take effect immediately and all existing circulars, memoranda and/or instructions inconsistent herewith shall be deemed revoked and/or modified accordingly.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 683
July 6, 1979

[Pursuant to Monetary Board Resolution No. 1252 dated July 6, 1979, the required reserves against marginal deposits on all Import Letters of Credit opened on or after July 9, 1979, shall be in accordance with the following schedule:

Effective Date

60%	July 31, 1979
70%	August 31, 1979
80%	September 30, 1979
90%	October 31, 1979
100%	November 30, 1979

It is understood that required reserves against marginal deposits on import letters of credit opened before July 9, 1979, shall continue to be governed by Circular No. 386, dated November 12, 1973.

(SGD.) G. S. LICAROS
Governor

CIRCULAR NO. 684

July 11, 1979

(REGULATIONS ON DECLARATION OF
CASH DIVIDENDS BY BANKS)

Pursuant to the first paragraph of Section 84 of Republic Act No. 337, as amended, which reads:

“SEC. 84. If losses have at any time been sustained by any banking institution equal to or exceeding the undivided profits on hand, no dividend shall be declared; and no dividend shall ever be declared by any such bank while it continues in banking operations to an amount greater than its net profits then on hand, deducting therefrom its losses and bad debts. All debts due to any such bank on which interest is past due and unpaid for a period of six months, unless the same are well secured and in process of collection, shall be considered bad debts within the meaning of this section.”

and on the underlying principle that no bank shall, while it continues in operation, withdraw or permit to be withdrawn, either in the form of cash dividends or otherwise, any portion of its capital, the Monetary Board, in its Resolution No. 1172 dated June 29, 1979, approved the amendment and reissuance of the regulations on cash dividend declaration by banks.

SECTION 1. *Definition of terms.* — For purposes of this Circular, the following definitions shall apply:

- a. *Bad debts* — shall include any debt on which interest is past due for a period of six (6) months, unless it is well secured and in process of collection.

A loan payable in installment with an automatic acceleration clause shall be considered a bad debt, within the contemplation of this Circular, where installments or amortizations have become past due for a period of six (6) months, unless the loan is well secured and in process of collection. For a loan payable in installments without an acceleration clause, only the installments or amortizations that have become past due for a period of six (6) months and which are not well secured and in the process of collection shall be considered bad debts within the contemplation of this Circular.

- b. *Well-secured.* — A debt shall be considered “well secured” (or fully secured) if it is covered by collateral in the form of

a duly constituted mortgage, pledge, or lien on real or personal properties including securities, having a loan value sufficient to discharge the debt in full, including accrued interest and other pertinent fees and expenses.

- c. *In process of collection* — A debt due to a bank shall be considered in process of collection when it is the subject of continuing extrajudicial or judicial proceedings aimed towards its full settlement or liquidation, or otherwise to place it in current status.

The extrajudicial proceedings, such as the writing of collection or demand letters, must have been initiated by the bank and/or its lawyers before the interest or installments or amortizations on the debt have become past due and unpaid for a period of six (6) months.

The debt shall continue to be considered in process of collection for a period of six (6) months counted from date of the first collection or demand letter and if, within this period, the debtor fails to make a payment of at least twenty per cent (20%) of the outstanding balance of the principal on his account, plus all interests which may have accrued thereon, the same shall automatically be classified as bad debt unless judicial proceedings are instituted.

The debt shall continue to be considered in process of collection during the pendency of the judicial proceedings. When judgment against the debtor has been obtained, the bank must be active in enforcing the judgment for the debt to continue to be considered in process of collection.

SEC. 2. *Accrued interest*. — Accrued interest earned but not yet collected or received on loans or any installments thereon shall not be considered profits and/or earnings for purposes of cash dividend declaration.

SEC. 3. *Amount available* as dividends. — The net amount available for cash dividend declaration shall be the total of unrestricted or free earned surplus and undivided profits less:

- a. Bad debts against which valuation reserves are not required to be set up;
- b. Unbooked valuation reserves, and other unbooked capital adjustments required by the Central Bank, whether or not allowed to be set up on a staggered basis; and
- c. Accrued interest receivable credited to income but not yet collected, net of reserve for uncollected interest on loans.

SEC. 4. *Reporting and verification.* —

- a. Declaration of cash dividends shall be reported by the bank concerned to the appropriate supervising and examining department of the Central Bank within ten (10) banking days from date of approval of the declaration by the bank's board of directors. The report shall be submitted in the prescribed form.
- b. Pending verification of above-mentioned report by the appropriate supervising and examining department of the Central Bank, the bank concerned shall not make any announcement or communication on the declaration of cash dividends nor shall any payment be made thereon.
- c. In any case, the declaration may be announced and the dividends paid, if, after thirty (30) banking days from the date the report required herein shall have been received by the Central Bank, no advice against such declaration has been received by the bank concerned.

SEC. 5. *Recording of dividends.* — The liability for cash dividends declared shall be taken up in the bank's book on the date of approval of the board of directors.

SEC. 6. *Sanctions.* — 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.

SEC. 7. This Circular supersedes Circular No. 323 (Revised) dated November 18, 1971, MAB dated July 7, 1964 and all other regulations inconsistent herewith.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

CIRCULAR NO. 685

July 13, 1979

**REVISED POLICY AND GUIDELINES ON SHORT-TERM
FOREIGN BORROWINGS**

Pursuant to Monetary Board Resolution No. 1265 dated July 13, 1979, the following revised policy and guidelines shall govern short-term foreign borrowings:

1. Short-term loans from Offshore Banking Units (OBUs) and/or other offshore sources to domestic borrowers, as well as all short-term foreign loans from Foreign Currency Deposit Units (FCDUs) shall be referred to the Central Bank for prior approval, except normal interbank short-term transactions (not exceeding 360 days), e.g., credit lines of Philippine banks with correspondent banks, interbank call loans and interbank loans for general liquidity purposes.

2. Short-term foreign loans requiring prior referral to the Central Bank as enumerated above shall be approved by the Central Bank only if they are intended to finance foreign exchange requirements of domestic borrowers.

3. Financing charges on short-term loans shall be limited to the following maximum rates, which may be revised from time to time by the Central Bank, as circumstances may require:

Interest spread	: Not to exceed 3/4% p.a. over LIBOR/SIBOR/prime rate of the lending country
Commitment fee	: Not to exceed 1/2% p.a. on the undrawn balance of fixed-term credits reckoned from date of Central Bank approval or effectivity of the loan agreement, whichever comes later.

This Circular supersedes and revokes Circular No. 641 dated November 20, 1978.

For the Monetary Board:

(SGD.) G. S. LICAROS
Governor

CIRCULAR NO. 686
July 18, 1979

Pursuant to Monetary Board Resolution No. 1253 dated July 6, 1979, Item No. 5.5 of the Guidelines implementing Circular No. 572, as amended, is hereby amended to read as follows:

- "5.5. The Inter-Agency Committee may collect reasonable fees for every application filed. In the case of firms with cancelled certifications re-applying for new certifications, the Committee may collect a filing fee in an amount equivalent to twice the amount of the regular filing fee for applications for authority to borrow, in order to cover the cost of additional work involved in the closer monitoring of the errant firm's compliance with all pertinent requirements, rules and regulations, as well as its financial and operating reports."

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 687
July 20, 1979

Pursuant to Presidential Decree No. 717, the Monetary Board, in its Resolution No. 1232 dated July 6, 1979, approved the following amendment, consolidation and re-issuance of guidelines to govern the grant of agrarian reform credit and agricultural credit by banks, government or private, as defined in Section 2 of Republic Act No. 337, as amended:

SECTION 1. *Definition of Terms.* — For purposes of this Circular, the following definition shall apply:

- a. Loanable funds — shall refer to total funds generated after the effectivity of Presidential Decree No. 717, the composition of which shall be determined by the appropriate department of the Central Bank.
- b. Agrarian Reform Credit — shall refer to production and other types of loans granted to beneficiaries of agrarian reform for the following purposes: acquisition of work animals, farm equipment and machinery, seeds, fertilizers,

poultry, livestock, feeds and other similar items; acquisition of lands authorized under the Agrarian Reform Code of the Philippines; construction and/or acquisition of facilities for production, processing, storage and marketing and efficient and effective merchandising of agricultural commodities stored and/or processed by the facilities aforecited in domestic and foreign commerce.

- c. Agricultural Credit in General — shall include all loans and/or advances granted to borrowers, whether beneficiaries of agrarian reform or not, to finance activities relating to agriculture, and for processing, marketing, storage, and distribution of products resulting from these activities.
- d. Agrarian Reform Beneficiaries — shall include tillers, tenant-farmers, settlers, agricultural lessees, amortizing owners, owner-cultivators, farmers' cooperatives and compact farms, as determined by the Department of Agrarian Reform.

The term shall likewise include agricultural enterprises registered under Presidential Decree No. 1159 as well as projects undertaken pursuant to the Corporate Farming Program under General Order No. 47: *Provided*, That the borrower submits the following documents to the lending bank:

- (1) A certification from the Board of Investments to the effect that the borrower is an agricultural enterprise duly registered under P.D. No. 1159; and
- (2) An endorsement of the Ministry of Agrarian Reform stating that land reform beneficiaries shall benefit from the agricultural enterprises' projects.

SEC. 2. *Required allocation for agrarian reform credit and agricultural credit in general.* — Each bank shall set aside an amount equivalent to at least twenty-five per cent (25%) of its loanable funds for agricultural credit in general, of which an amount equivalent to at least ten per cent (10%) of the loanable funds shall be made available for agrarian reform credit. In the absence of qualified borrowers, the following shall apply:

- a. Agrarian reform credit — the amount set aside for agrarian reform credit not actually loaned may be invested temporarily in government securities expressly declared eligible for the purpose by the Central Bank, subject to the following conditions:
 - (1) such 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;

- (2) such securities shall not be hypothecated or encumbered in any way or earmarked for any other purpose;
 - (3) such securities shall be marked "For Agrarian Reform Credit" and shall be segregated from the bank's investment portfolio; and
 - (4) only the buying/lending bank may use, during the holding period, eligible government securities subject of a resale/repurchase agreement between private entities for purposes of compliance with this Section, subject to the following:
 - (a) the resale/repurchase should be for terms not less than thirty (30) days without pretermination during the first successive thirty (30) days, which condition shall be embodied in the resale/repurchase agreement; and
 - (b) the buying/lending bank, with the consent of the selling/borrowing entity, shall register with the Central Bank its holdings of CBCIs under repurchase/resale agreement.
- b. Agricultural credit in general — the amount set aside for agricultural credit in general not actually loaned out may be invested in commercial papers issued by entities engaged in agricultural production, processing, storage, marketing, or exportation of agricultural products; and importation, manufacture, distribution of farm machineries and equipment, fertilizers, etc. used for agricultural production: *Provided*, That for purposes of compliance with this Section, only the buying/lending bank may use commercial papers acquired in a resale/repurchase agreement during the holding period thereof subject to the conditions in subsection a(4)(a) of this Section.
- c. A certification under oath by the duly designated officer of the bank of the absence of qualified borrowers for agrarian reform credit or agricultural credit in general shall be submitted to the appropriate supervising and examining department of the Central Bank together with the report as required in Section 4.

SEC. 3. *Interest and other charges.* — Interest, service fees and other charges shall be governed by existing rules and regulations thereon.

SEC. 4. *Submission of Reports.* — A monthly report on the following shall be submitted to the appropriate supervising and examining department of the Central Bank within twelve (12) banking days after end of each reference month:

- a. Utilization of loanable funds set aside for agrarian reform credit and agricultural credit in general; and
- b. Any change in the composition of government securities and commercial papers held as temporary investments for agrarian reform credit and agricultural credit in general, respectively.

SEC. 5. *Sanctions.* — Violations of this Circular shall be subject to the provisions of Sections 34 and 34-A of Republic Act No. 265 as amended.

SEC. 6. *Repealing clause.* — This Circular supersedes Circulars No. 473, 619 and 651 and repeals, amends, or modifies all other rules and regulations inconsistent herewith.

SEC. 7. *Effectivity.* — This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 688
July 23, 1979

◁ AMENDING FURTHER CIRCULAR NO. 357, AS AMENDED ▷

The Monetary Board, in its Resolution No. 1324 dated July 20, 1979, approved the following amendments to Circular No. 357, as amended:

SECTION 1. 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 borrowing 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 this Circular.
- (c) Credit accommodations to a corporate stockholder which meets the following conditions:
 - (1) The corporation is a non-financial institution;
 - (2) Its shares are listed and traded in the big board or commercial and industrial board of domestic stock exchanges;
 - (3) It shall have at least 300 shareholders whose aggregate holdings shall not be less than 30% of its total subscribed capital and whose individual holdings shall not exceed 1% of such total subscribed capital;
 - (4) Its stockholdings in the lending bank do not exceed 30% of the voting stock of the bank; and
 - (5) No person or group of persons related within the first degree of consanguinity or affinity holds/owns more than 15% of the subscribed capital of the corporation."

SEC. 2. Item 3(f), Part IV of the same Circular is hereby amended to read as follows:

"(f) Other administrative and/or penal sanctions including sanctions under Sections 34 and 34-A Republic Act No. 265, as amended."

SEC. 3. This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 689
July 23, 1979

AMENDING FURTHER CIRCULAR NO. 561, AS AMENDED,
ON FINANCING PLANS FOR BANK OFFICERS/EMPLOYEES

The Monetary Board, in its Resolution No. 1173 dated June 29, 1979, approved the following amendments to Circular No. 561, as amended:

SECTION 1. Items B.3 and B.4.a. of Circular No. 561, as amended, are hereby amended to read as follows:

“B. Mechanics of Financing Plan

x x x

3. *Amount* — The amount of financing assistance shall be within the paying capacity of the officer or employee and stated as a percentage or multiple of the total monthly compensation of such officer or employee: *Provided*, That the maximum amount available for each type of financing shall be standardized for officers and employees belonging to the same salary range or level: *Provided, further*, That the amount shall not exceed the following:

<i>Purpose</i>	<i>Maximum Amount</i>
Real Estate	₱300,000
Car	70,000
Other Equipment/Chattel	10,000
Personal Loan	An amount equivalent to 3 times the total monthly compensation from the bank

4. *Repayment*

a. Total monthly amortization, deductible from the borrowing officer's or employee's salary, shall not exceed twenty five per cent (25%) of his total monthly compensation from the bank. Total monthly compensation shall refer to the sum of the basic salary, fixed and regular monthly allowances. In no case shall payments for sickness benefits and other special emoluments which are not fixed or regular in nature, or the commutation into cash of unused leave credits, be included in the computation of total monthly compensation.

b. x x x"

SEC. 2. The same Circular is hereby further amended by adding the following item after Item F.

"G. *Sanctions* — Violations of the provisions of this Circular shall, whenever applicable, be subject to the penalties under Section 83 of Republic Act No. 337, as amended, and Section 34 and 34-A of Republic Act No. 265, as amended."

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 690
August 7, 1979

[Pursuant to Monetary Board Resolution No. 1380 dated July 27, 1979, Section 6 of Circular No. 607 dated April 19, 1978 is hereby amended/so as to read as follows:

"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 as follows:

i. From date of signing of the covering sub-loan agreement, where the sub-borrower is (1) the National Government for the purposes stated

under Sec. 2(a) & (b) hereof, or (2) a banking institution for the purpose of relending to branches, agencies or political sub-divisions of the National Government.

- ii. From the fifteenth (15th) calendar day after date of approval of the sub-loan by the Central Bank or date of signing of the sub-loan agreement, whichever is earlier, where the sub-borrower is a banking institution, whether the loan is for its ultimate end-use or for relending to government-owned or controlled corporations or the private sector.

(b) *By the National Government and banking institutions*
— The same rate as that charged by the Central Bank.”

In the case of loans to banking institutions for its end-use or for relending to government-owned or controlled corporations or to the private sector already approved by the Central Bank as of the date of this Circular, but for which no covering loan agreement has as yet been signed, the commitment fee thereof shall be reckoned from the 15th calendar day after the effective date of this circular or the date of signing of the sub-loan agreement, whichever is earlier.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 691
August 13, 1979

**REVISED RULES AND REGULATIONS FOR
STOCK SAVINGS AND LOAN ASSOCIATIONS**

The Monetary Board, in its Resolution No. 1360 dated July 27, 1979, approved the amendment, consolidation and reissue of the basic rules and regulations governing stock savings and loan associations embodied in Circular No. 157, as amended.

CHAPTER I

ORGANIZATION

**SECTION 1. *Definition of Stock Savings and
Loan Association***

A "Stock Savings and Loan Association", hereinafter called the "Association", shall include any corporation engaged in the business of accumulating the savings of depositors and using such accumulations, together with its capital for loans and/or for investment in the securities of productive enterprises or in securities of the Government, or any of its political subdivisions, instrumentalities or corporations: *Provided*, That they shall be primarily engaged in servicing the needs of households by providing personal finance and long-term financing for home building and development.

SEC. 2. *Form of Organization*

(a) Stock savings and loan associations shall be organized in the form of stock corporations which in no case shall issue no par value stock.

(b) The Monetary Board shall fix the minimum paid-up capital of a stock savings and loan association in such amount as said Board may consider necessary for the safe and sound operation of such association: *Provided, however*, That in no case shall such paid-up capital be less than one hundred thousand pesos (P100,000.00)*: *Provided, further*, That at least seventy per cent (70%) of the voting stock of a stock savings and loan association which may be established after the approval of Presidential Decree No. 113 shall be owned by citizens of the Philippines, except where a new association is established as a result of the consolidation of existing associations in which there are foreign-owned voting stock at the time of consolidation: *Provided, furthermore*, That the percentage of foreign-owned voting stock in stock savings and loan associations existing upon the effectivity of Presidential Decree No. 113, if such percentage is in excess of thirty per cent (30%) of the voting stock of the association, shall not be increased, but may be reduced, and once reduced, shall not be increased thereafter beyond thirty per cent (30%) of the voting stock of the association. The percentage of foreign-owned voting stock in an association shall be determined by the citizenship of the individual stockholders in that association. In the case of corporations owning shares in the association, the citizenship of each stockholder in that corporation shall be the basis of computing the percentage such association is authorized to receive deposits from and extend loans to the general public.

*The required minimum paid-up capital of stock savings and loan associations shall be the following:

₱4 million

within the Greater Manila
area and fringes and First
Class A chartered cities

₱3 million

within First Class B and
C chartered cities

₱2 million

other place

**SEC. 3. *Prior Approval by the Monetary Board
of Articles of Incorporation and By-Laws
or Amendments Thereto***

The articles of incorporation or by-laws of a proposed stock savings and loan association, or any amendment thereto, shall not be registered with the Securities and Exchange Commission unless accomplished by a certificate of approval from the Monetary Board.

SEC. 4. *Application for Approval*

The proposed articles of incorporation and by-laws of a stock savings and loan association, both accomplished in the prescribed forms, shall be submitted to the Monetary Board through the appropriate supervising and examining department of the Central Bank together with a covering application for the approval thereof and such other necessary documents signed by a majority of the members of the board of directors of the Association and verified by one of them.

The same procedure shall be observed in case of amendments of the articles of incorporation and by-laws of the Association.

SEC. 5. *Grounds for Disapproval of Application*

The application of a proposed stock savings and loan association shall be disapproved, if upon examination and/or investigation made by the appropriate supervising and examining department of the Central Bank, it is found that:

(a) The association is to be formed for any business other than the legitimate savings and loan business;

(b) The Association's financial program is unsound;

(c) The area where the Association is to be located is adequately served by one or more existing Associations;

(d) Any of the directors or principal officers of the Association does not possess the integrity or competence to manage a savings and loan association; or

(e) There exist other reasons which the Monetary Board may consider as sufficient ground for such disapproval.

**SEC. 6. *Certificate of Authority to Operate;
Revocation or Suspension Thereof***

All stock savings and loan associations, prior to transacting any business, shall procure a certificate of authority to transact business from the Monetary Board. After due notice, the Monetary Board may revoke or suspend for such period as it determines, the certificate of authority of any association, the solvency of which is imperiled by losses or irregularities or of any association which wilfully violates any provisions of Republic Act No. 3779, as amended, these rules or any pertinent law or regulation.

SEC. 7. *Branch Offices and Agencies*

(a) No stock savings and loan association shall open, maintain or operate a branch, agency, money shop, or savings agency without first applying for, and obtaining from, the Monetary Board, through the appropriate supervising and examining department of the Central Bank, a certificate of authority to operate such branch, agency, money shop or savings agency.

The term "branch offices and agencies" shall include extension offices and any other office outside the main office where operations or transactions, or any phase thereof, are conducted by a stock savings and loan association.

(b) The application to establish a branch or agency shall be in such form as the Monetary Board shall require, and shall include, among other things, an itemized statement of the estimated receipts and expenditures of the association in connection with such branch or agency for the first year or such longer period as the Monetary Board requires, and a showing that public convenience and advantage will be promoted by the operation of such branch or agency.

(c) If after examination and/or investigation made by the appropriate supervising and examining department of the Central Bank it is shown that the operation of the proposed branch or agency is in the interest of such Association and that the area where the proposed branch or agency is to be located is not adequately served by one or more existing associations, that public convenience and advantage will be promoted by the operation of such branch or agency, and that public interest and economic conditions, both general and local, justify the authorization, a certificate of authority to operate the proposed branch or agency shall be issued.

(d) In addition to (b) and (c) above, applications for the establishment of branches, money shops or savings agencies, etc., shall be processed in accordance with the guidelines established by the Central Bank.

SEC. 8. *Lease/Transfer of Office Premises*

No stock savings and loan association shall negotiate a contract of lease or sublease to third persons any portion or portions of their office premises without securing prior approval of the appropriate supervising and examining department of the Central Bank.

Stock savings and loan associations contemplating to transfer their office premises to another location shall apply for prior approval of the Central Bank. In the meantime that written approval is not given, Associations shall not negotiate for an option or contract to lease or construct/renovate a building for the purpose.

SEC. 9. *Filing Fees*

A stock savings and loan association shall pay to the appropriate supervising and examining department of the Central Bank a filing fee of two hundred pesos (P200.00) for each application for approval of proposed articles of incorporation and by-laws and a fee of fifty pesos (P50.00) for each application to operate a branch, agency, money shop or savings agency.

SEC. 10. *Business Name*

Stock savings and loan associations organized or operating under Republic Act No. 3779, as amended, and licensed by the Central Bank shall include in their names the term "Savings and Loan Association". Such associations shall display in a conspicuous place at their principal offices and branches and agencies, if any, a sign including, among other things, the following words: "Authorized by the Central Bank of the Philippines".

Effective June 30, 1980, a stock savings and loan association which has fully complied with the prescribed minimum paid-up capital requirement may use the term "savings and loan bank" or "savings and loan thrift bank" in its corporate or business name: *Provided*, That the prior approval of the Monetary Board has been obtained and that any of said terms has been duly incorporated in the corporate or business name of the Association as it appears in its articles of incorporation: *Provided, further* That a stock savings and loan association which has not fully complied with the prescribed minimum capital requirement may use in connection with its corporate or business name only the term "A Thrift Bank" (the size of which shall not be more than three-fourths (3/4) of the size of the name of the Association), preferably enclosed in parenthesis directly under its name.

No person, association, partnership or corporation shall do business or hold itself out as doing business as a savings and loan association, or shall use the term "Savings and Loan Association" or any other title or name tending to give the public the impression that it is engaged in the operations and activities of a savings and

loan association unless so authorized under Republic Act No. 3779, as amended, and these regulations.

The use by an Association of any other name or title or combination of names and titles or any other deviation from the requirements of this Section shall not be authorized except upon prior approval of the Monetary Board.

The term "Bangko ng Bayan" and words of similar import shall not be used in connection with the business name of stock savings and loan associations.

Any violation or non-compliance with the requirements of this Section shall be subject to an administrative fine of one hundred pesos (P100.00) a day for every day that the violation or non-compliance continues.

SEC. 11. *Banking Days and Hours*

Stock savings and loan associations shall be governed by regulations on minimum banking days and banking hours applicable to thrift banks. Existing regulations are covered by the provisions of Circular No. 608.

SEC. 12. *Shares of Stock of Officers, Directors or Employees*

No officer, director, or employee of any stock savings and loan association shall acquire any certificate or share of stock issued by the Association he is connected with by a method other than investing his funds directly with the Association, or by gift, bequest, or descent, or purchase in any amount not exceeding three thousand pesos (P3,000.00), at any one time, unless such other mode of acquisition has the prior approval of the Monetary Board, and the Auditor of the Central Bank.

CHAPTER II

DIRECTORS, OFFICERS AND EMPLOYEES

SEC. 13. *Qualifications of Directors and Officers*

No person shall be eligible as director of a stock savings and loan association unless he is an owner in his own right of stock in the Association with an aggregate par value of at least five thousand pesos (P5,000.00): *Provided*, That at least two thirds of the members of the board of directors of any stock savings and loan association which may be established after the approval of Republic Act No. 3779, as amended, shall be citizens of the Philippines: *Provided*, *however*, That no full-time appointive or elective public official shall

at the same time serve as officer, director, legal counsel or consultant of any stock savings and loan association, except in cases where such service is incident to financial assistance provided by the government or a government-owned or controlled corporation to such Association: *Provided, further,* That in the case of a merger or consolidation of stock savings and loan associations duly approved by the Monetary Board, the limitation on the maximum number of directors in a corporation, as provided for in Section 28 of the Corporation Law (Act No. 1459), shall not be applied so that membership in the new board may include up to the total number of directors provided for in the respective articles of incorporation of the merging or consolidating associations.

Directors and officers of a stock savings and loan association shall also possess the qualifications and none of the disqualifications embodied in Circular No. 643, and other pertinent laws, rules and regulations.

SEC. 14. *Bond of Officers and Employees*

All officers and employees of a stock savings and loan association who have access to money, or negotiable securities of the Association or who issue stock or shares of the Association, in the regular discharge of their duties shall, before entering upon their duties, furnish to the employing Association a good and sufficient bond, indemnifying the Association against loss of money or securities, by reason of their dishonesty and loss arising from their dishonest issue of stock or shares.

The bond of the cashier, assistant cashier, treasurer, tellers, agents, salesmen, solicitors, collectors and other employees of the Association with money accountability, shall be equivalent to, or not less than, their average daily cash accountability. The corporate secretary of a stock savings and loan association shall furnish a bond in an amount to be determined by the Association's board of directors but in no case shall such bond be less than one thousand pesos (₱1,000.00). The bonds must be issued by a reputable bonding company approved by the Central Bank. A cash bond may also be allowed provided such bond is deposited with a bank or stock savings and loan association other than where such officer or employee is employed.

The average daily cash accountability of an officer or employee of an Association shall be computed by adding the amount of actual cash which he handles each day for a year, the total of which shall be divided by the number of days of the year said officer or employee receives or handles such cash. Checks or other cash items shall not be included in the computation of the average daily cash accountability: *Provided,* That proper and adequate safeguards, as prescribed by the appropriate supervising and examining department of the

Central Bank under Memorandum to Savings and Loan Associations No. 74-28 dated May 15, 1974, are adopted by the Association.

Stock savings and loan associations are prohibited from signing as co-makers of the bonds for their accountable officers/employees.

SEC. 15. *Compensation of Directors,
Officers and Employees*

No director, officer or employee of a stock savings and loan association shall receive from such Association, and no Association shall pay to any director, officer, or employee of such Association, any commission, emolument, gratuity or reward based on the volume or number of loans made, or based on the interest or fees collected thereon. Nothing in this Section, however, prohibits or limits any of the following:

(a) Receipt or payment of salaries of directors, officers and employees;

(b) Receipt or payment of commissions to agents, whether or not based on the volume or number of loans or on the interest or fees collected thereon; and

(c) Receipt or payment of bonuses to directors, officers or employees if such bonuses are based on the profits and not on the volume or number of loans made or on the interest or fees collected thereon.

SEC. 16. *Liability of Officers for Loans
Contrary to Law*

No stock savings and loan association shall make or purchase any loan or investment not authorized or permitted under these regulations or Republic Act No. 3779, as amended, and any director, officer or employee who, on behalf of any such Association, knowingly makes or purchases any such loan or investment or who knowingly consents thereto shall be personally liable to the Association for the full amount of any such loan or investment.

SEC. 17. *Agents, Salesmen and Collectors*

No person, whether natural or juridical, shall act as an agent or salesman of a stock savings and loan association or operate any agency thereof without obtaining a license from the Monetary Board. No license is required for a collector of an Association but no person shall hold himself out or act as a collector unless he is authorized, in writing, by such Association: *Provided, however,* That no person who has been convicted of estafa or any other crime involving dishonesty may be authorized as a collector of an Association.

CHAPTER III

DEPOSIT OPERATIONS

SEC. 18. *Savings and Time Deposits Defined*

Savings deposits are deposits evidenced by a passbook consisting of funds deposited to the credit of one or more individuals or corporations with respect to which the depositor may withdraw at any time, unless prior notice in writing of an intended withdrawal is required by the stock savings and loan association. Time deposits are deposits evidenced by a negotiable or non-negotiable instrument which provides on its face that the amount of such deposit is payable on a fixed date or at the expiration of a certain specified time.

SEC. 19. *Interest Rates*

Stock savings and loan associations shall be allowed to pay interest on savings and time deposits at such rates as may be determined by the Monetary Board. Existing regulations are covered by the provisions of Circulars No. 492 and 585.

SEC. 20. *Who May Open Deposit Accounts*

Natural or juridical persons may open savings or time deposits with stock savings and loan associations, subject to pertinent provisions of law and regulations.

Minors who are at least seven years of age, are able to read and write, have sufficient discretion and are not otherwise disqualified by any other incapacity, have special capacity and power, in their own right and in their own names, to make savings or time deposits with and withdraw the same as well as receive interests thereon from stock savings and loan associations, without the assistance of their parents or guardians. Parents may nevertheless deposit for their minor children and guardians for their wards.

Any natural person lacking capacity to contract may open savings or time deposits for himself provided he has sufficient discretion. However, he cannot make withdrawals from his account except through or with the assistance of a guardian authorized to act for him.

In case the depositor is a juridical person, the stock savings and loan association shall require the depositor to submit written proof of its juridical capacity and its authorization to its agents to deal with the Association, with facsimiles or sample signatures of its authorized signatories, and such other documents necessary for the proper operation of the account.

Notwithstanding the provisions of the preceding paragraphs, the cashier, bookkeeper, their assistants and other officers and employees of the Association whose duties entail the handling of cash or checks and other cash items are prohibited from opening deposit accounts with the head office/branch of the Association in which they are assigned.

SEC. 21. *Identification of Depositors*

A stock savings and loan association shall be responsible for the proper identification of its depositors or persons intending to open a deposit.

SEC. 22. *Number of Deposit Accounts*

A depositor may open and have more than one savings deposit in his own name in the same capacity, and he may open and have various deposits in different capacities, such as guardian, agent or trustee.

SEC. 23. *Signature Card*

A signature card bearing at least three (3) specimen signatures of each depositor shall be required upon opening of a deposit account.

SEC. 24. *Passbook and Certificate of Time Deposit*

A savings deposit passbook, signed by the receiving teller and an authorized officer, shall be issued to a savings depositor showing, among other things, his name and address, account number, date, amount of deposit, interest credits and balance.

In the case of a time deposit, a certificate of time deposit, signed by two authorized officers, shall be issued to the depositor containing, among other things, the depositor's name, amount of the deposit, date when the deposit was made, its due date and interest rate.

Stock savings and loan associations shall pre-number their savings deposit passbooks and shall submit the serial numbers of the printed certificate of time deposits to the appropriate supervising and examining department of the Central Bank.

SEC. 25. *Deposits in Checks and Other Cash Items*

Checks and other cash items may be accepted for deposit by stock savings and loan associations: *Provided*, That withdrawals

from such deposit shall not be allowed until the check or cash item is collected.

SEC. 26. *Minimum Savings ad Time Deposits*

Savings deposits may be opened with a minimum deposit of one peso (₱1.00). In the case of time deposits, the Association may not require a minimum deposit of more than one hundred pesos (₱100.00).

SEC. 27. *Minimum Term of Time Deposits*

No time deposits shall be accepted for a period less than ninety (90) days.

SEC. 28. *Withdrawals from Savings Deposits*

Withdrawals from a savings deposit shall be made through the presentation to the stock savings and loan association of a duly accomplished withdrawal slip together with the depositor's passbook. Withdrawal through an agent or representative who has been authorized in writing shall also be allowed.

An Association shall reserve the right to require the depositor to give prior written notice of withdrawal of not more than thirty (30) days before withdrawals may be made.

An Association may limit the number of withdrawals: *Provided*, That the number of withdrawals allowed shall not be less than three times a month. A service charge of twenty-five centavos (₱0.25) may be charged by the Association for every withdrawal made in excess of the maximum number allowed in any month.

SEC. 29. *Withdrawal of Time Deposit*

The withdrawal of a time deposit shall be made through the presentation of the certificate covering such deposit. If the time deposit is withdrawn before maturity date, and the Association waives its right to the term, the deposit shall earn interest in accordance with regulations prescribed by the Monetary Board. If a time deposit is not withdrawn or renewed on its due date, it shall be treated as a savings deposit and shall earn interest as such from date of maturity to date of actual withdrawal or renewal.

SEC. 30. *Reserves Against Deposits*

Every stock savings and loan association shall maintain reserves against its savings, time and demand deposits in an amount fixed and in the form prescribed by the Monetary Board.

A stock savings and loan association shall calculate its reserve position and shall be subject to penalties in cases of deficiencies, in accordance with the pertinent regulations prescribed by the Monetary Board. Existing regulations are covered by the provisions of Circular No. 552.

SEC. 31. *Deposit Insurance*

Deposits in savings and loan associations shall be eligible for insurance coverage under Republic Act No. 3591, otherwise known as an Act Establishing the Philippine Deposit Insurance Corporation.

CHAPTER IV

CAPITAL-RISK ASSET RATIO; CREDIT OPERATIONS;
INVESTMENTS

SEC. 32. *Capital-Risk Asset Ratio*

The combined capital accounts of each stock savings and loan association shall not be less than an amount equal to ten per cent (10%) of its risk assets which is defined as its total assets minus the following assets:

- (a) Cash on hand;
- (b) Amount due from the Central Bank;
- (c) 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;
- (d) Loans to the extent covered by holdout on, or assignment of, deposits maintained in the lending association and held in the Philippines;
- (e) Office premises, depreciated;
- (f) Furniture, fixtures and equipment, depreciated;
- (g) Balances maintained with the Philippine National Bank or any of its branches arising from checks drawn on banks located in places not serviced by Central Bank clearing Offices;
- (h) Special time deposit loans to the extent covered by Industrial Guarantee and Loan Fund (IGLF) guarantee;
- (i) Real estate mortgage loans insured by the Home Financing

Commission to the extent of the amount of the insurance.

The rules on minimum capital-to-risk asset prescribed by the Monetary Board for thrift banks in general, insofar as they are applicable and not in conflict with this Circular, shall apply to stock savings and loan associations.

SEC. 33. *Power of Association to Prescribe
Rules on Credit Operations*

The board of directors of a stock savings and loan association shall prescribe its own rules and regulations governing credit transactions and loan operations of the Association within the framework of the terms and conditions of these rules.

SEC. 34. *Amount of Loans*

A stock savings and loan association may grant loans not exceeding the amount deposited by the borrower plus his four (4) months salary or regular income in the case of permanent employee or wage earner, or seventy per cent (70%) of the fair market value of any property acceptable as collateral on first mortgage that he may put up by way of security: *Provided*, That the direct indebtedness to a stock savings and loan association 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 and 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 association, 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 the unimpaired capital and surplus of the association.

The total indebtedness of any borrower to a stock savings and loan association 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;
- (c) The loans to subdivision and housing developers shall be secured by a mortgage on real estate, title of which is in the name of the borrower or mortgagor.

The maximum amount of clean loans to a non-salaried person who is permanently employed as an entrepreneur or otherwise is self-employed shall be computed on the same basis as that applying to a person who is "permanently employed or wage-earner". For this purpose, average monthly income shall be used in lieu of monthly salary or regular income which applies to wage-earners.

SEC. 35. *Salary Deductions*

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 pursuant to Republic Act No. 3779, as amended, to make deductions from his salary, wage or income in accordance with the terms of his loan and to remit such deductions to the stock savings and loan association. For this service, a fee of one peso (P1.00) or 1/2 of 1% of the amount of the loan but in no case to exceed ten pesos (P10.00), may be collected by such treasurer, cashier or paymaster: *Provided, however,* That the Association shall not collect from the borrower any other amount for collection charges except in cases of non-payment for reasons beyond the control of the treasurer, cashier or paymaster, in which event Section 41 of these rules shall apply.

SEC. 36. *Derivative/Compensation Deposits*

Stock savings and loan associations shall, in no case, require borrowers to leave behind or deposit back with them a portion of the loan proceeds, whether in the form of demand, savings or time deposits. Likewise, no stock savings and loan association shall, during the processing of any loan application or at any time after approval thereof or release of the loan proceeds, enter into any form of agreement, irrespective of the purpose thereof, under which the borrower shall be prohibited from, or limited in, making withdrawals from any of his deposit accounts with such Association while any portion of loan is outstanding: *Provided, however,* That this prohibition shall not apply in cases of loans secured by a hold-out on deposit to the extent of the unencumbered amount of the deposit existing at the time of the filing of the above-mentioned loan application.

SEC. 37. *Maximum Loan Maturity*

No loan granted by a stock savings and loan association shall have a maturity date of more than five (5) 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 thirty (30) years, and medium or long-term loans to finance agricultural projects, subject to regulations prescribed by the Monetary Board: *Provided,* That extensions or renewals of loans may be allowed in accordance with Section 43 hereof.

SEC. 38. *Kinds of Security*

Security for loans may be in any or all of the following forms:

- (a) Real estate mortgage;
- (b) Chattel mortgages on harvested or stored crops of non-perishable character;
- (c) Chattel mortgages on livestock, tools, equipment or machinery, supplies and materials, merchandise, and such other property which may have been purchased or acquired out of the proceeds of the loan;
- (d) Assignment of quedans which gives the Association the right of disposal of readily marketable products;
- (e) Time and savings deposits;
- (f) Pledge of bonds, stock, and other securities of agricultural, industrial or commercial enterprises that are non-speculative in nature;
- (g) Land Transfer Certificates issued by the Government to tenant-farmers, under Presidential Decree No. 27 to the extent of sixty per cent (60%) of the value of the farm holdings: *Provided*, That a certification shall be first secured from the offices of the Register of Deeds to the effect that the Land Transfer Certificate being presented is valid; and
- (h) All other securities as may be approved by the Monetary Board.

SEC. 39. *Unsecured Loans*

(a) *Scope and purpose*

Clean loans for personal or household finance shall include, but need not be limited to, household appliance loans, car loans, educational loans, house and car repair loans, loans for the payment of income taxes, loans for medical expenses, 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.

(b) *Borrowers' and co-makers' signatures*

Clean loans for personal or household finance shall require the

signatures of the borrower and 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, the signature of the borrower alone shall suffice.

(c) *Amount and terms*

No clean loans for personal or household finance shall have a maturity of more than three (3) years. The maximum amount of clean loans to a non-salaried person who is permanently employed as an entrepreneur or otherwise is self-employed shall be computed on the same basis as that applying to a person who is "permanently employed or wage earner". For this purpose, average monthly income shall be used in lieu of monthly salary or regular income which applies to wage earners.

(d) *Records*

Stock savings and loan associations shall:

- (1) Require the borrowers and co-makers to submit a certificate from their employers of their monthly salary or regular income. In case the borrower is not employed, a certification by the borrower of his source of regular income should be required. In all cases, the certification shall be under oath.
- (2) Maintain adequate and accurate credit files of their respective borrowers.

SEC. 40. *Interest Rates and Rebates*

Stock savings and loan associations shall be allowed to charge on loans and forbearance of money such interest rates as may be allowed under the Usury Law (Act 2655), as amended.

Should the borrower elect to pay the outstanding balance of his loan before maturity, the Association may charge interest corresponding to the unused term of the loan, subject to a prior agreement to that effect between a stock savings and loan association and the borrower.

SEC. 41. *Fees and Other Charges*

Stock savings and loan associations shall be allowed to collect maximum charges on loans with a maturity of 730 days or less in accordance with Circular No. 504. Collection of charges on loans with a maturity of more than 730 days shall be governed by Circular No. 586.

If the loan is not paid upon maturity, the Association may

charge a collection fee of one peso (₱1.00) or one-half (1/2) of one per cent (1%) of the outstanding loan, whichever is higher: *Provided, however,* That should an Association be compelled to institute court action for the recovery of the loan granted, it may, in addition, collect reasonable charges as attorney's fees.

SEC. 42. *Basic Requirements in Granting Loans*

(a) *Application*

A prospective borrower must submit an application stating the purpose of the loan and such other information as may be required by the Association. The loan application and other required information shall form part of the credit information file of the borrower in the Association.

(b) *Credit Investigation —*

No loan shall be approved unless prior investigation has been made to determine the credit standing of the applicant and/or the fair value of the property offered as security and the report thereon is submitted and made part of the loan application: *Provided, however,* That this requirement may be waived by an Association in the case of a permanent employee or wage earner who is borrowing an amount not exceeding his deposit plus his four months' salary or regular income.

(c) *Credit information file/collateral file*

An Association shall be required to maintain a credit information file for each of its borrowers which must contain, among other things, the borrower's application, the credit investigation reports, financial and such other information relative to the borrower's credit standing. A collateral file for each borrower shall also be maintained which must contain, among other things, the collateral documents pertaining to the loan, mortgage/pledge contracts, copies of approval, promissory notes and such other information relative to the security of the loans.

(d) *Loan approvals —*

Loan shall be approved by the Association's board of directors or if approved by a body or officers duly authorized by the board, such loans must be confirmed by the board of directors.

(e) *Loan agreements —*

For each loan granted by a stock savings and loan association, a promissory note must be executed by the borrower in favor of the Association expressing such particulars as the amount of loan, date

granted, due date, interest rate and other similar information.

(f) *Inscription of lien —*

In the case of mortgage loans, no release against an approved loan shall be made before the inscription of the mortgage.

SEC. 43. *Extensions/Renewals of Loans*

Extension of the period of payment of loans may be allowed under the following circumstances:

(a) For productive loans, the extension shall not exceed one-half of the original period: *Provided*, That thirty per cent (30%) of the loan shall have been paid. A second extension may also be allowed: *Provided*, That the same shall not exceed one-half of the period of the first extension.

(b) For consumer loans, the extension shall not exceed one-half of the original period: *Provided*, That fifty per cent (50%) of the loan shall have been paid.

(c) For loans for medical purposes, 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.

Loans payable in periodical installments may be renewed for the full amount of the loan: *Provided*, That at least fifty per cent (50%) of the loan shall have been paid.

Extension or renewal of clean loans for personal and household finance shall be governed by the provisions of Circular No. 454.

SEC. 44. *Accrued Interest on Past Due Loans*

Stock savings and loan associations shall not accrue interest income on loans which are already past due or on loan installments which are in arrears, regardless of whether the loans are secured or unsecured. Interest on past due loans or loan installments in arrears shall be taken up as income only when actual payments thereon are received. For this purpose, loans shall be considered past due in accordance with the provisions of Circular No. 645 dated December 27, 1978.

SEC. 45. *Write-off of Loans as Bad Debts*

Bad accounts of stock savings and loan associations may be written off in accordance with the rules set forth under Circular No. 358.

SEC. 46. *Limitations on Lending Authority*

(a) An Association shall not commit itself to make any loans for amounts in excess of the total of the following:

- (1) Amount of cash available for loan purposes;
- (2) Amount of cash which can be readily realized upon the sale or redemption permissible investments made by the Association; and
- (3) Amount of credit available for loan purposes from government or private financing institutions.

(b) No association shall directly or indirectly make any loans to any director or officer of such Association, either for himself or as an agent or as partner of another, except with the written approval of the majority of the directors of the Association, excluding the director concerned: *Provided*, That the Monetary Board may regulate the amount of credit that the Association may extend, directly or indirectly, to its directors, officers or stockholders. In any case, and event, the outstanding credit accommodations which a stock association may extend to its stockholders owning two per cent (2%) or more of the subscribed capital stock, its directors or officers shall be limited to an amount equivalent to their respective outstanding deposits and book value of the paid-in capital contribution in the Association.

Total direct and indirect borrowings of directors, officers and stockholders of stock savings and loan associations and their related interests shall not exceed fifteen per cent (15%) of the total loan portfolio of the Association or 100% of combined capital accounts net of valuation reserves as approved by the Central Bank, whichever is lower: *Provided*, That an Association may exceed its aggregate ceiling with the prior approval of the Monetary Board upon recommendation of the appropriate supervising and examining department of the Central Bank: *Provided, however*, That in no case shall the total unsecured direct/indirect loans to directors, officers and stockholders exceed thirty per cent (30%) of such aggregate ceiling or the outstanding direct/indirect loans thereto, whichever is lower.

In all cases of credit accommodations granted to directors, officers or stockholders under this Section, the written approval of the majority of the directors of the Association, excluding the director concerned, shall be entered upon the records of the Association and a copy of such entry shall be transmitted forthwith to the appropriate supervising and examining department of the Central Bank.

The office of any director or officer of an Association who

violates the provisions of this subsection shall immediately become vacant and the director or officer shall be punished by imprisonment of not less than one year nor more than ten years and by a fine of not less than one thousand pesos (₱1,000.00), nor more than ten thousand pesos (₱10,000.00).

(c) No Association shall make any loan to any corporation of which a majority of the stock is owned or controlled directly or indirectly, by any one or more of the directors or officers of such Association collectively except with the written approval of the majority of the directors of the association excluding the director or directors concerned. Any such approval shall be entered upon the records of the Association and a copy of such entry shall be transmitted forthwith to the appropriate supervising and examining department of the Central Bank.

The Monetary Board may regulate the amount of credit that an Association may extend to a corporation referred to in this Section in the same manner as it may regulate credit accommodations to directors and officers of the Association.

SEC. 47. *Discounting of Notes and Other
Credit Instruments*

Subject to pertinent regulations governing quasi-banking functions, a stock savings and loan association may discount, with recourse, bills, acceptances, promissory notes and other credit instruments.

SEC. 48. *Investment of Funds*

A stock savings and loan association may invest its funds in any or all of the following:

(a) In sound non-speculative enterprises, as well as in bonds, securities, and other obligations issued by the Government of the Philippines or any of its political subdivisions, instrumentalities or corporations including government-owned or controlled corporations, subject to such rules and regulations as the Monetary Board may provide, in an aggregate amount of ten per cent (10%) of the total assets of such Association: *Provided*, That such Association may invest in equities of allied undertakings authorized in Circular No. 480 and in such other allied undertakings as may be approved by the Central Bank for thrift banks: *Provided, further*, That (a) the total investment in equities shall not exceed twenty-five per cent (25%) of the net worth of the Association; (b) the equity investment in any single enterprise shall be limited to fifteen per cent (15%) of the net worth of the Association; (c) the total equity investment of the Association in any single enterprise shall remain a minority holding in that enterprise, except where the enterprise is not a finan-

cial intermediary; and (d) the equity investment in other banks, if allowed by the Monetary Board, shall be subject to the same limitations imposed on similar investments of commercial banks and shall be deducted from the investing stock savings and loan association's net worth for purposes of computing the prescribed ratio of net worth to risk assets. Equity investment shall not be permitted in non-related activities. Where the allied undertaking is a wholly or majority-owned subsidiary of the investing association, it may be subject to examination by the Central Bank.

(b) No stock savings and loan association, at any one time shall have an investment in real estate and improvements thereon, including equipment, in an aggregate amount in excess of fifty per cent (50%) of its net worth: *Provided*, That real estate used for the stock savings and loan association's purposes owned by another corporation in which that Association owns equity shall be considered as part of the Association's total investment in real estate.

SEC. 49. *Deposits Made by the Associations*

Stock savings and loan associations may maintain deposits with banks: *Provided*, That the amount of such deposits shall be subject to the loan limit to a single borrower as prescribed herein or by other special laws or regulations.

SEC. 50. *Power to Borrow Money or Incur Obligations*

An Association may borrow money or incur such obligation up to not more than twenty per centum (20%) of the total assets of the Association, from any public lending institution, such as the Development Bank of the Philippines, the Philippine National Bank, the Government Service Insurance System, the Social Security System, and from private banking institutions, and such other private lending institutions as may be approved by the Monetary Board. The Monetary Board may, meritorious cases, raise the ceiling on the borrowing capacity of a stock savings and loan association to not more than thirty per centum (30%) of its total assets.

The proceeds of the loan to be acquired shall be used exclusively to meet the normal credit requirements of the community where the Association is situated: absolutely no part of the proceeds thereof shall be used for creation or acquisition of any fixed or capital assets or for operational expenses.

A savings and loan association may, subject to such rules as the Monetary Board may promulgate, also borrow from or rediscount notes, bills of exchange and other commercial papers with the

Central Bank, under the provisions of Sections 87 and 88-A of Republic Act No. 265, as amended. The rate of interest on such obligations or borrowings of such Associations shall not be more than that charged on rural banks.

CHAPTER V

MISCELLANEOUS PROVISIONS

SEC. 51. *Restrictions on Stock Savings and Loan Associations*

(a) Stock savings and loan associations may accept or create demand deposits upon prior approval of the Monetary Board, upon recommendation of the appropriate supervising and examining department of the Central Bank, pursuant to P.D. 1317 and CB Circular No. 631.

(b) No stock savings and loan association shall issue, publish or cause or permit to be issued or published, any advertisement that it is doing or permitted to do any business which is prohibited by law to an Association, or which misrepresents its shares of stock, investment certificates, or the rights of investors or depositors in respect thereto.

(c) No stock savings and loan association shall loan any of its funds upon the security of its own capital stock, nor be the purchaser or holder of any such shares, unless such security or purchase be necessary to prevent loss upon a debt previously contracted in good faith, and the stock so purchased or acquired for any other reason in the course of its operations shall within six (6) months from the time of its purchase or acquisition be sold or disposed of at a public or private sale or in default thereof, a receiver shall be appointed to close the business of the Association in accordance with law.

SEC. 52. *Reserve for Losses*

Five per centum (5%) of the net earnings of a stock savings and loan association shall be credited to a reserve account until the reserve equals five per centum (5%) of the total assets of the Association and shall be available for meeting losses incurred by the Association.

SEC. 53. *Surplus Reserve*

Whenever a stock savings and loan association has a discrepancy between its general ledger accounts and their respective subsidiary ledgers, the board of directors of the Association shall set up from the net profits of the Association, if any, a surplus reserve in an amount equivalent to the amount of the discrepancy, and this reserve shall

not be available for distribution as dividends or for any other purpose unless and until the discrepancy is accounted for. The board of directors shall also direct the employee responsible for the discrepancy to account for said discrepancy: *Provided*, That the failure of the employee to do so shall be a ground for his dismissal.

Associations shall report such discrepancies to the appropriate supervising and examining department of the Central Bank, within fifteen (15) days from discovery.

SEC. 54. *Dissolution of Association*

Any stock savings and loan association contemplating to dissolve shall give written notice thereof to the Monetary Board through the appropriate supervising and examining department of the Central Bank, at least thirty (30) days before taking steps to effect dissolution.

SEC. 55. *Annual Reports*

Every stock savings and loan association shall, within sixty (60) days after the close of its fiscal year, furnish the Monetary Board and mail to each of its stockholders, a copy of its financial statement certified by the external auditor provided for in Sec. 57 hereof, showing, in such form and detail as the Monetary Board shall require, the amount and character of the assets and liabilities of the Association at the end of the preceding fiscal year. Any Association may, in lieu of mailing, publish such financial statement verified under oath, in any newspaper of general circulation in the city or town in which its principal and branch offices are located. The Monetary Board may, in addition to the foregoing, require the publication of such other information as it shall deem necessary for the protection of the investors in these Associations.

SEC. 56. *Forms and Accounting System*

Credit, legal, accounting, and other forms to be used by stock savings and loan associations as well as the accounting system and classification of accounts, shall be prescribed by the Monetary Board of the Central Bank.

SEC. 57. *External Auditor*

All stock savings and loan associations shall engage the services of a reputable independent certified public accountant to audit their books of accounts at least once a year, or as often necessary.

SEC. 58. *Confidential Information*

No director, officer, employee or agent of a stock savings and

loan association or of the Central Bank shall disclose any information relating to borrowers and their applications or to the operation of the Association unless permitted by the Monetary Board of the Central Bank.

Likewise, all deposits of whatever nature with stock savings and loan associations in the Philippines are hereby considered as absolutely confidential in nature and may not be examined, inquired or looked into by any person, government official, bureau or office, except when the examination is conducted by the Monetary Board or the official of the appropriate supervising and examining department of the Central Bank or his deputies pursuant to the provisions of Republic Act No. 3779, as amended, or upon written permission of the depositor, or in cases of impeachment, or upon order of a competent court in cases of bribery or dereliction of duty of public officials, or in cases where the money deposited or invested is the subject matter of the litigation.

It shall be unlawful for any official or employee of a stock savings and loan association to disclose to any person any information concerning said deposits, except in the cases mentioned in the preceding paragraph of this section.

SEC. 59. *Yearly Examination and Reporting Requirements*

The director of the appropriate supervising and examining department of the Central Bank, personally or by deputy, shall make at least once a year and at such times as he or the Monetary Board may deem necessary and expedient, an examination, inspection or investigation of the books and records, business affairs, administration, and financial condition of stock savings and loan associations.

Stock savings and loan associations shall submit to the appropriate supervising and examining department of the Central Bank reports which may be required by said supervising and examining department.

A stock savings and loan association shall pay the fines prescribed in Circular No. 514 for any refusal to permit examinations and for delay in the submission of required reports.

SEC. 60. *Penalty*

Any person violating the provisions of this Circular shall be subject to the penal sanctions prescribed in Republic Act No. 3779 as amended, and Republic Act No. 337, as amended, and the penal and administrative sanctions prescribed in Republic Act No. 265 as amended.

SEC. 61. *Applicability of Rules and Regulations Governing Thrift Banks*

Other rules and regulations governing thrift banks in general, insofar as they are applicable and not inconsistent with this Circular, shall also apply to stock savings and loan associations.

SEC. 62. *Repealing Clause*

This Circular repeals and supersedes Circular No. 157 (as amended by Circulars No. 159, 165, 193, 235, 249, 261, 272, 328, 349, 404, 429, 459, 469, 477, 579, 636); Circulars No. 278 and 487; Memorandum to Savings and Loan Associations No. 19 dated October 18, 1970 and No. 21 dated February 11, 1971; Circular - Letter No. 72-2 dated January 28, 1972 and unnumbered Circular-Letter dated September 26, 1975, and other provisions of existing rules and regulations on stock savings and loan associations inconsistent herewith.

SEC. 63. *Effectivity*

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 692
August 13, 1979

*REVISED RULES AND REGULATIONS FOR
NON-STOCK SAVINGS AND LOAN ASSOCIATIONS*

The Monetary Board in its Resolution No. 1360 dated July 27, 1979, approved the amendment, consolidation and reissue of the basic rules and regulations governing non-stock savings and loan associations embodied in Circular No. 157, as amended.

CHAPTER I

ORGANIZATION

SECTION 1. *Definition of Non-Stock Savings and
Loan Associations*

A "Non-Stock Savings and Loan Association", hereinafter

called the "Association", shall include any corporation engaged in the business of accumulating the savings of its members and using such accumulations for loans and/or investment in the securities of productive enterprises or in securities of the Government, or any of its political subdivisions, instrumentalities or corporations: *Provided*, That they shall be primarily engaged in servicing the needs of households by providing personal finance and long-term financing for home building and development.

SEC. 2. *Form of Organization*

(a) Non-stock savings and loan associations organized under Republic Act No. 3779, as amended, shall issue a certificate of membership to every qualified member and shall maintain a registry of its members.

(b) A non-stock savings and loan association shall confine its membership to a well-defined group of persons, and shall not transact business with the general public. It shall accept deposits from and grant loans to, its members only.

SEC. 3. *Prior Approval by the Monetary Board of Articles of Incorporation and By-Laws or Amendments Thereto*

The articles of incorporation and by-laws of a proposed non-stock savings and loan association, or any amendment thereto, shall not be registered with the Securities and Exchange Commission unless accompanied by a certificate of approval from the Monetary Board.

SEC. 4. *Application for Approval*

The articles of incorporation and by-laws of a proposed non-stock savings and loan association, both accomplished in the prescribed forms, shall be submitted to the Monetary Board through the appropriate supervising and examining department of the Central Bank together with a covering application for the approval thereof, signed by a majority of the members of the Board of Directors of the Association and verified by one of them.

The same procedure shall be observed in case of amendments of the articles of incorporation and by-laws of the Association.

SEC. 5. *Grounds for Disapproval of Application*

The application of a proposed non-stock savings and loan association shall not be approved if upon examination and/or investigation made by the appropriate supervising and examining department of the Central Bank it is found that:

(a) The Association is to be formed for any business other than the legitimate savings and loan business;

(b) The Association's financial program is unsound;

(c) Any of the directors or principal officers of the Association does not possess the integrity or competence to manage a savings and loan association; or

(d) There exist other reasons which the Monetary Board may consider as sufficient ground for such disapproval.

SEC. 6. *Certificate of Authority to Operate;
Revocation or Suspension Thereof*

All non-stock savings and loan associations, prior to transacting any business, shall procure a certificate of authority to transact business from the Monetary Board. After due notice, the Monetary Board may revoke, or suspend for such period as it determines, the certificate of authority of any Association, the solvency of which is imperiled by losses or irregularities, or of any Association which wilfully violates any provisions of Republic Act No. 3779, as amended, these rules or any pertinent law or regulation.

SEC. 7. *Filing Fees*

A non-stock savings and loan association shall pay to the appropriate supervising and examining department of the Central Bank a filing fee of five pesos (P5.00) for each application for the approval of proposed articles of incorporation and by-laws.

SEC. 8. *Business Name*

Non-stock savings and loan associations organized or operating under Republic Act No. 3779, as amended, and licensed by the Central Bank shall include in their names the term "Savings and Loan Association". Such Associations shall display in a conspicuous place at their business offices a sign including, among other things, the following words: "Authorized by the Central Bank of the Philippines".

No person, association, partnership or corporation shall do business or hold itself out as doing business as a non-stock savings and loan association, or shall use the term "Savings and Loan Association" or any other title or name tending to give the public the impression that it is engaged in the operations and activities of a savings and loan association unless so authorized under Republic Act No. 3779, as amended, and these regulations.

The use by an Association of any other name or title or com-

bination of names and titles or any other deviation from the requirements of this Section shall not be authorized except upon prior approval of the Monetary Board.

No non-stock savings and loan association shall advertise or represent itself to its members or to the public as a bank, or as a trust company.

SEC. 9. *Business Days and Hours*

Non-stock savings and loan associations may, with the prior approval of the appropriate supervising and examining department of the Central Bank, adopt such business days and hours as may be convenient for them: *Provided*, That in the case of an Association operating in a government office or private firm, its business hours shall have the prior approval of the head of the office or of the firm where such Association operates.

Non-stock savings and loan associations shall not transact business on legal holidays and special public holidays.

All non-stock savings and loan associations shall be open for business during business hours and days except when extraordinary instances caused by unforeseen, unavoidable event directly affect the Association's ability to open for business.

All non-stock savings and loan associations shall post conspicuously at all times in their places of business their schedule of regular business hours and days.

SEC. 10. *Capital Contributions of Members*

Members who have contributed fifty pesos (P50.00) or more to the capital of a non-stock savings and loan association may increase their capital contribution or open savings or time deposit accounts. Partial withdrawal from the amount paid by a member as capital contribution, during his membership, may be allowed unless the by-laws of the association provide otherwise, and subject to such rules and regulations as the Monetary Board may prescribe in the matter of such withdrawal of capital contributions. However, in no case, shall such partial withdrawal diminish the member's capital contribution to less than P50.00.

Member-depositors of non-stock savings and loan associations may participate in the profits of the Association on the basis of their capital contributions on the date dividends are declared.

CHAPTER II

DIRECTORS, OFFICERS AND EMPLOYEES

SEC. II. *Qualifications and Disqualifications for Directors and Officers*

No person shall be eligible as director of a non-stock savings and loan association unless he is a member of good standing of such non-stock association. In addition, such person shall have the qualifications and none of the disqualifications embodied in pertinent laws, Circular No. 477 and other applicable rules and regulations.

SEC. 12. *Bond of Officers and Employees*

All officers and employees of a non-stock savings and loan association who have access to money, or negotiable securities of the Association in the regular discharge of their duties shall, before entering upon their duties, furnish to the employing Association a good and sufficient bond indemnifying the Association against loss of money or securities, by reason of their dishonesty.

The bond of the cashier, assistant cashier, treasurer, tellers, and other employees of the Association having money accountability, shall be equivalent to, or not less than, their average daily cash accountability. The bonds must be issued by a reputable bonding company approved by the Central Bank. A cash bond may also be allowed provided such bond is deposited in a bank.

The average daily cash accountability of an officer or employee of an Association shall be computed by adding the amount of actual cash which he handles each day for a year, the total of which shall be divided by the number of days of the year said officer or employee receives or handles such cash. Checks and other cash items shall not be included in the computation of the average daily cash accountability: *Provided*, That proper and adequate safeguards, as prescribed by the appropriate supervising and examining department of the Central Bank under Memorandum to Savings and Loan Associations No. 74-28 dated May 15, 1974, are adopted by the non-stock savings and loan association.

If collections are made thru the treasurer, cashier, or paymaster of the firm or office in which the Association operates, and such collections are paid by checks issued by the firm or office and payable to the Association, such checks shall not be included in the computation of the average cash daily accountability of the officer concerned: *Provided, however*, That in no case shall the bond of such accountable officer be less than one thousand pesos (P1,000.00).

No non-stock savings and loan association shall act or sign as co-maker of the bonds for accountable officers/employees thereof.

SEC. 13. *Compensation of Directors, Officers and Employees*

No director, officer or employee of a non-stock savings and loan association shall receive from such Association, and no Association shall pay to any director, officer, or employee of such Association, any commission, emolument, gratuity or reward based on the volume or number of loans made, or based on the interest or fees collected thereon. Nothing in this Section, however, prohibits or limits any of the following:

(a) Receipt or payment of salaries of directors, officers and employees;

(b) Receipt or payment of bonuses to directors, officers or employees if such bonuses are based on the profits and not on the volume or number of loans made or on the interest or fees collected thereon.

SEC. 14. *Liability of Officers for Loans
Contrary to Law*

No non-stock association shall make or purchase any loan or investment not authorized or permitted under these regulations or Republic Act No. 3779, as amended, and any director, officer or employee who, on behalf of any such Association, knowingly makes or purchases any such loan or investment or who knowingly consents thereto shall be personally liable to the Association for the full amount of any such loan or investment.

CHAPTER III

DEPOSIT OPERATIONS

SEC. 15. *Savings and Time Deposits Defined*

Savings deposits are deposits evidenced by a passbook consisting of funds deposited to the credit of one or more individuals or corporations with respect to which the depositor may withdraw at any time, unless prior notice in writing of an intended withdrawal is required by the non-stock savings and loan association. Time deposits are deposits evidenced by a negotiable or non-negotiable instrument which provides on its face that the amount of such deposit is payable on a fixed date or at the expiration of a certain specified time.

SEC. 16. *Interest Rates*

Non-stock savings and loan associations shall be allowed to pay interest on savings and time deposits at such rates as may be determined by the Monetary Board.

SEC. 17. *Who May Open Deposit Accounts*

Only members may open deposit accounts with non-stock savings and loan associations.

A natural person, although lacking capacity to contract, may nevertheless, open a savings or time deposit account for himself, provided he has sufficient discretion. However, he cannot withdraw therefrom, except through, or with the assistance of a guardian authorized to act for him. Parents may deposit for their minor children, and guardians for their wards.

Notwithstanding the provisions of the preceding paragraphs, the cashier, bookkeeper and their assistants, and other employees of an Association whose duties entail the handling of cash or checks are prohibited from opening deposit accounts with the head office/branch of the Association in which they are assigned as such.

SEC. 18. *Identification of Member-Depositors*

A non-stock savings and loan association shall be responsible for the proper identification of its member-depositors.

SEC. 19. *Number of Deposit Accounts*

A member-depositor may open and have more than one savings deposit in his own name in the same capacity, and he may open and have various deposits in different capacities such as guardian, agent, or trustee for others.

SEC. 20. *Signature Card*

A signature card bearing at least three (3) specimen signatures of each member-depositor shall be required upon opening of a deposit account.

SEC. 21. *Passbook and Certificate of Time Deposit*

A savings deposit passbook, signed by the receiving teller and an authorized officer, shall be issued to a member-depositor showing, among other things, his name and address, account number, date, amount of deposit, interest credits and balance.

In the case of a time deposit, a certificate of time deposit, signed by two authorized officers, shall be issued to the member-depositor containing, among other things, his name, amount of the deposit, date when the deposit was made, its due date and interest rate.

Non-stock savings and loan associations shall pre-number their savings deposit passbooks and shall submit the serial numbers of their

printed certificates of time deposits to the appropriate supervising and examining department of the Central Bank.

SEC. 22. *Deposits in Checks and Other Cash Items*

Checks and other cash items may be accepted for deposit by non-stock savings and loan associations provided that withdrawals from such deposit shall not be made until the check or other cash item is collected.

SEC. 23. *Minimum Savings and Time Deposits*

Savings deposits may be opened with a minimum deposit of one peso (₱1.00). In the case of time deposits, the Association may not require a minimum deposit of more than one hundred pesos (₱100.00).

SEC. 24. *Minimum Term of Time Deposits*

No time deposit shall be accepted for a period less than ninety (90) days.

SEC. 25. *Withdrawals from Savings Account*

Withdrawals from a savings deposit shall be made through the presentation to the non-stock savings and loan association of a duly accomplished withdrawal slip together with the depositor's passbook.

An Association shall reserve the right to require the depositor to give prior written notice of withdrawal of not more than thirty (30) days.

An Association may limit the number of withdrawals that a depositor may make: *Provided*, That the number of withdrawals allowed shall not be less than three (3) times a month. A service charge of twenty-five centavos (₱0.25) may be charged by the Association for every withdrawal made in excess of the maximum number allowed in any one month.

SEC. 26. *Withdrawal of Time Deposit*

The withdrawal of a time deposit can be made only by presentation of the certificate of time deposit on the day of or after its maturity. If withdrawal is made before its maturity and the Association waives its right to the period, the amount withdrawn shall be deemed a savings deposit and shall earn interest as provided in Circular No. 578. If a time deposit is not withdrawn or renewed on its due date, it shall be treated as a savings deposit and shall earn interest as such from the date of maturity to date of actual with-

drawal or renewal.

SEC. 27. *Reserve Fund*

Every non-stock savings and loan association shall maintain a reserve fund to meet withdrawals against deposit liabilities equivalent to eighty per cent (8%) of its savings and time deposit liabilities.

The composition of the reserve fund shall be: (a) at least ten per cent (10%) in the form of cash on hand and/or cash in banks, and (b) the remaining ninety per cent (90%), in the form of evidences of indebtedness or obligations of the government, its political subdivisions or instrumentalities. For the purpose of computing the reserve fund, the value of government securities shall be the cost of acquisition. The Association may keep physical possession of such government securities, but shall supply the Central Bank of the Philippines with the following information:

- (a) Name of issuer
- (b) Serial number
- (c) Denominations
- (d) Cost of acquisition
- (e) Maturity dates

CHAPTER IV

CAPITAL-RISK ASSET RATIO; CREDIT OPERATIONS;
INVESTMENT

SEC. 28. *Capital-Risk Asset Ratio*

The combined capital accounts of each non-stock savings and loan association shall not be less than an amount equal to ten per cent (10%) of its risk assets which is defined as its total assets minus the following assets:

- (a) Cash on hand;
- (b) Amount due from the Central Bank;
- (c) 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;
- (d) Loans to the extent covered by holdout on, or assignment of, deposits maintained in the lending association and held in the Philippines;
- (e) Office premises, depreciated;

(f) Furniture, fixtures and equipment, depreciated;

(g) Balances maintained with the Philippine National Bank or any of its branches arising from checks drawn on banks located in places not serviced by the Central Bank Clearing Offices;

(h) Real estate mortgage loans insured by the Home Financing Commission, to the extent of the amount of the insurance; and

(i) Other non-risk items as the Monetary Board may, from time to time, authorize to be deducted from total assets.

The Monetary Board shall prescribe the manner of determining the total assets of such Association for the purpose of this Section, but contingent accounts shall not be defined as being included among total assets.

Whenever the capital accounts of an Association are deficient with respect to the requirement of the preceding paragraph, the Monetary Board, after considering a report of the appropriate supervising and examining department of the Central Bank on the state of solvency of the Association concerned, shall limit or prohibit the distribution of net profits and shall require that part of all of net profits be used to increase the capital accounts of the Association until the minimum requirement has been met. The Monetary Board may, after considering the aforesaid report of the appropriate supervising and examining department of the Central Bank, and if the amount of the deficiency justifies it, restrict or prohibit the making of new investments of any sort by the Association with the exception of purchases of the evidence of indebtedness included under subsection (c) of this Section, until the minimum required capital ratio has been restored.

SEC. 29. *Power of Association to Prescribe
Rules on Credit Operations*

The board of directors of a non-stock savings and loan association shall prescribe its own rules and regulations governing credit operations of the Association within the framework of the terms and conditions embodied in these regulations.

SEC. 30. *Amount of Loans*

A non-stock savings and loan association may grant loans not exceeding the amount deposited and/or contributed by the member-borrower plus his four (4) month's salary or other regular income in the case of a permanent employee or wage earner, or seventy per cent (70%) of the fair market value of any property acceptable as collateral on first mortgage that he may put up by way of security: *Provided*, That the direct indebtedness to a non-stock savings and

loan association of any member-borrower for money borrowed, with the exception of money borrowed against obligations of the Central Bank or of the Philippine Government, or borrowed with the full guarantee of the Philippine Government of payment of principal and interest, shall at no time exceed fifteen per cent (15%) of the unimpaired capital and surplus of the Association.

For purposes of this Circular, 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.

SEC. 31. *Salary Deductions*

In the case of a member-borrower who is a permanent employee or wage earner, the treasurer, cashier or paymaster of the firm employing him shall be authorized pursuant to Republic Act No. 3779, as amended, to make deductions from his salary, wage or income in accordance with the terms of his loan, and to remit such deductions to the non-stock savings and loan association. For this service, a fee of one peso (₱1.00) or one-half (1/2) of one per cent (1%) of the amount of the loan but in no case to exceed ten pesos (₱10.00), may be collected by such treasurer, cashier or paymaster: *Provided, however,* That the Association shall not collect from the borrower any other amount for collection charges except in cases of non-payment for reasons beyond the control of the treasurer, cashier or paymaster, in which event Section 38 of these rules and regulations shall apply.

SEC. 32. *Derivative/Compensating Deposits*

Non-stock savings and loan associations shall in no case require member-borrowers to deposit a portion of the loan proceeds whether in the form of savings or time deposits. Where, subsequent to the release of the loan proceeds, member-borrowers open deposit accounts or make additional deposits to their existing accounts, no part of such new deposits shall be covered by a stipulation prohibiting or limiting withdrawal while new portion of their loans are outstanding: *Provided, however,* That this prohibition shall not apply in cases of loans secured by a holdout on deposits to the extent of the unencumbered amount of the deposit existing at the time of the filing of the above-mentioned loan application.

SEC. 33. *Maximum Loan Maturity*

No loans granted by a non-stock savings and loan association shall have a maturity date of more than five (5) 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 (20) years and medium or long-term loans to finance agricultural projects, subject to regulations pre-

scribed by the Monetary Board: *Provided, however,* That extensions or renewals of loans other than real estate loan may be allowed in accordance with the provisions of Section 38 hereof.

SEC. 34. *Kinds of Security*

Loans by a non-stock savings and loan association may be secured by any or all of the following:

- (a) Mortgages on registered real estate;
- (b) Chattel mortgages on harvested or stored crops of non-perishable character;
- (c) Chattel mortgages on livestock, tools, equipment or machinery, supplies or materials, merchandise and such other property which may have been purchased or acquired out of the proceeds of the loan;
- (d) Assignment of quedans which gives the right of disposal of readily marketable products;
- (e) Time and/or savings deposits;
- (f) Pledge of bonds, stock and other securities of the government or government-owned or controlled corporations and other bonds, stock or securities which are non-speculative in nature; and
- (g) Land Transfer Certificates issued by the Government to tenant-farmers, under Presidential Decree No. 27 to the extent of sixty per cent (60%) of the value of the farm holdings: *Provided,* That a certification shall be first secured from the offices of the Register of Deeds to the effect that the Land Transfer Certificate being presented is valid.
- (h) Other securities as may be approved by the Monetary Board.

SEC. 35. *Interest Rates and Rebates*

Non-stock savings and loan associations shall be allowed to charge on loans and forbearance of money such interest rates as may be allowed under the Usury Law (Act No. 2655), as amended.

Should the member-borrower elect to pay the outstanding balance of his loan before maturity, the Association may charge interest corresponding to the unused term of the loan, subject to a prior agreement to that effect between a non-stock savings and loan association and its member-borrowers.

SEC. 36. *Fees and Other Charges*

(a) *Service, Handling and other charges —*

- (1) Handling and service fees may be collected by non-stock savings and loan associations 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 (₱3.00); and
- (2) Legal and documentation fees of ten pesos (₱10.00), exclusive of the actual cost of documentary stamp used.

(b) *Collection fees —*

If the loan is not paid upon maturity, the Association may charge a collection fee of one peso (₱1.00) or one-half (1/2) of one per cent (1%) of the outstanding loan, whichever is higher: *Provided, however*, That should a non-stock savings and loan association be compelled to institute court action for the recovery of the loan granted, it may, in addition, collect reasonable charges as attorney's fees.

(c) *Inspection fees —*

Whenever it shall be necessary to make an ocular inspection for appraisal purposes of the property offered as collateral for the loan applied for, the following rules shall apply:

- (1) If the property is located in the area where the non-stock savings and loan association is operating, the Association may collect a reasonable inspection fee not exceeding the rates provided for in the following schedule:

<i>Amount of Loan Applied for</i>	<i>Fees</i>
₱ 1,000.00 and below	₱ 2.00
1,001.00 — ₱ 5,000.00	5.00
5,001.00 — ₱10,000.00	10.00
10,001.00 — 30,000.00	15.00
30,001.00 — 50,000.00	20.00
Over ₱50,000.00	25.00

- (2) In case the property is situated outside the area of operation of the Association, the applicant may be required to deposit an amount estimated to cover the actual expenses of inspection, which shall be determined by the president or manager of the Association or a duly authorized representative. The actual expenses incurred shall be charged against said deposit, and the unused balance shall be refunded to the applicant-borrower.

For purposes of this Section, area of operation shall refer to the jurisdiction limits of the city or municipality where the Association has its offices and conducts its business.

SEC. 37. *Basic Requirements in Granting Loans*

(a) *Application*

A member-borrower desiring a loan must submit an application stating the purpose of the loan and such other information as may be required by the Association. The loan application and other required information shall form part of the credit information file of the member-borrower in the Association.

(b) *Credit investigation —*

No loan shall be approved unless prior investigation has been made to determine the credit standing of the applicant and/or the fair market value of the property offered as security and the report thereon shall be made part of the loan application: *Provided, however,* That this requirement may be waived by an Association in the case of a permanent employee or wage earner who is borrowing an amount not exceeding his deposit plus his four (4) months salary or regular income.

(c) *Credit information file/collateral file —*

A non-stock savings and loan association shall be required to maintain as far as practicable, a credit information file which must contain, among other things, the member-borrower's application and financial record. Other information relative to the member-borrower, where applicable, shall also be maintained which must contain, among other things, the collateral and other documents pertinent to the loan.

(d) *Loan approvals —*

Loans shall be approved by the Association's board of directors or if approved by a body or officer/s duly authorized by the board, such loans must be confirmed by the board of directors.

(e) *Loan agreements —*

For each loan granted by a non-stock savings and loan association, a promissory note must be executed by the member-borrower in favor of the Association expressing such particulars as the amount of the loan, date granted, due date, interest rate and other similar information.

(f) *Inscription of lien —*

In case of mortgage loans, no release against an approved loan shall be made before the inscription of the mortgage.

SEC. 38. *Extensions/Renewals of Loans*

Extension of the period of payment of loans may be allowed under the following circumstances:

(a) For productive loans, the extension shall not exceed one-half of the original period: *Provided*, That thirty per cent (30%) of the loan shall have been paid. A second extension shall not exceed one-half of the period of the first extension.

(b) For consumer loans, the extension shall not exceed one-half of the original period: *Provided*, That fifty per cent (50%) of the loan shall have been paid.

(c) For loans for medical purposes, 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.

Loans payable in periodical installments may be renewed for the full amount of the loan: *Provided*, That at least fifty per cent (50%) of the loan shall have been paid.

SEC. 39. *Accrued Interest on Past Due Loans*

Non-stock savings and loan associations shall not accrue interest income on loans which are already past due or on loan installments which are in arrears, regardless of whether the loans are secured or unsecured. Interest on past due loans or loan installments in arrears shall be taken up as income only when actual payments thereon are received. For this purpose, loans shall be considered past due in accordance with the provisions of Circular No. 645 dated December 27, 1978.

SEC. 40. *Write-off of Loans as Bad Debts*

Bad accounts of non-stock savings and loan associations may be written off in accordance with the rules set forth under Circular No. 372.

SEC. 41. *Limitations on Lending Authority*

(a) A non-stock savings and loan association shall not commit itself to make any loans for amounts in excess of the total of the following amounts:

- (1) Amount of cash available for loan purposes;

(2) Amount of cash which can be readily realized upon the sale or redemption of permissible investments made by the Association; and

(3) Amount of credit available for loan purposes from government or private financing institutions.

(b) No Association shall directly or indirectly make any loans to any director or officer of such Association, either for himself or as agent or as partner of another, except with the written approval of the majority of the directors of the Association, excluding the director concerned: *Provided*, That the aggregate loans, direct or indirect, of an Association granted at any one time to such directors and officers shall not exceed twenty per centum (20%) of the total paid-up capital of the Association. In all cases of accommodations granted to directors and officers under this Section, the written approval of the majority of the directors of the Association, excluding the director concerned, shall be entered upon the records of the Association and a copy of such entry shall be transmitted forthwith to the appropriate supervising and examining department of the Central Bank.

The office of any director or officer of an Association who violates the provisions of this subsection shall immediately become vacant and said director or officer shall be punished by imprisonment of not less than one year nor more than ten years and by a fine of not less than one thousand pesos (P1,000.00) nor more than ten thousand pesos (P10,000.00).

SEC. 42. *Investment of Funds*

A non-stock savings and loan association may invest its funds in any or all of the following:

(a) In bonds, securities, and other obligations issued by the Government of the Philippines, or any of its political subdivisions, instrumentalities or corporations including government-owned or controlled corporations, subject to such rules and regulations as the Monetary Board may provide, in an aggregate amount not exceeding at any one time ten per cent (10%) of the total assets of such Association;

(b) In real property, in an aggregate amount not exceeding at any one time five per cent (5%) of the total assets of such Association;

(c) In furniture, fixtures, furnishings, equipment, and leasehold improvements for its offices, in an amount not exceeding at any one time ten per cent (10%) of the aggregate paid-up capital of such Association;

(d) In sound non-speculative enterprises, in an aggregate amount not exceeding at any one time ten per cent (10%) of the paid-up capital and surplus of such Association: *Provided, however,* That in this case, prior approval of the appropriate supervising and examining department of the Central Bank shall be obtained.

SEC. 43. *Deposits Made by Associations*

Non-stock savings and loan associations may maintain deposits with banks: *Provided,* That the amount of such deposits shall be subject to the loan limit to a single borrower as prescribed herein or by other special laws or regulations.

SEC. 44. *Power to Borrow Money or Incur Obligation*

A non-stock savings and loan association may borrow money or incur such obligations up to not more than twenty per centum (20%) of the total assets of the Association, from any public lending institution, such as the Development Bank of the Philippines, the Philippine National Bank, the Government Service Insurance System, the Social Security System and from private banking institutions, and such private lending institutions as may be approved by the Monetary Board: *Provided,* That the proceeds of such loan shall be used exclusively to meet the normal credit requirements of its members: *Provided, further,* That no part of the proceeds shall be used for the creation or acquisition of any fixed or capital assets or for operational expenses. The Monetary Board may, in meritorious cases, raise the ceiling on the borrowing capacity of a non-stock savings and loan association to not more than thirty per centum (30%) of its total assets. Non-stock savings and loan associations organized by employees of an entity or a corporation may borrow funds from said entity or corporation, but not vice-versa.

CHAPTER V

MISCELLANEOUS PROVISIONS

SEC. 45. *Restrictions on Non-Stock Savings and Loan Associations*

(a) No entrance fees of any kind may be charged by any non-stock savings and loan association without first securing the approval of the Monetary Board. In no case shall the total amount of such fees exceed one per cent (1%) of the amount deposited, contributed, or otherwise paid in by the particular member.

(b) No non-stock savings and loan association shall have or carry upon its books for any person any demand, commercial or checking account, or any credit to be withdrawn upon the presen-

tation of any negotiable check or draft.

(c) No non-stock savings and loan association shall advertise or represent itself to its members or to the public as a bank, or as a trust company.

(d) No non-stock savings and loan association shall issue, publish or cause or permit to be issued or published, any advertisement that it is doing or permitted to do business which is prohibited by law to an Association.

SEC. 46. *Withdrawable Share Reserve*

Every non-stock savings and loan association shall create a withdrawable share reserve which shall consist of three per centum (3%) of the aggregate capital contributions of the members.

The withdrawable share reserve shall be set up from the profits of the non-stock savings and loan association, and no non-stock savings and loan association shall pay any dividends or distribute any profits to its members if the withdrawable share reserve is less than, or if by such payment or distribution would be reduced below, the amount specified in this Section.

An amount corresponding to the withdrawable share reserve shall be set up by the non-stock savings and loan association, or such amount invested in bonds or evidences of indebtedness of the Republic of the Philippines or of its subdivisions, agencies or instrumentalities, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines, and which are supported by the Central Bank.

For a uniform interpretation of the provisions of this Section, the following shall serve as guidelines:

(a) The withdrawable share reserve shall be set up from the profits of the Association and shall be funded in the form of cash deposited as a separate account and/or an investment allowed under this Section;

(b) Should there be an increase in the capital contribution, the said reserve shall be correspondingly adjusted at the end of each month from Undivided Profits, if any; and

(c) The reserve shall be adjusted first before the Association shall declare and pay out dividends at any time of the year.

SEC. 47. *Surplus Reserve*

Whenever a non-stock savings and loan association has a discrepancy between its general ledger accounts and their respective subsidiary ledgers, the board of directors of the Association shall set up from the net profits of the Association, if any, a surplus reserve, in an amount equivalent to the amount of the discrepancy, and this reserve shall not be available for distribution as dividends or for any other purpose unless and until the discrepancy is accounted for. The board of directors shall also direct the employee responsible for the discrepancy to account for said discrepancy: *Provided*, That the failure of the employee to do so shall constitute as ground for his dismissal if the discrepancy is of serious or recurring nature.

Non-stock savings and loan associations shall report such discrepancies to the appropriate supervising and examining department of the Central Bank within fifteen (15) days from discovery. Violations of this Section shall be dealt with in accordance with the provisions of Section 29(c) of Republic Act No. 3779, as amended.

SEC. 48. *Dissolution of Association*

A non-stock savings and loan association contemplating to dissolve shall give written notice thereof to the Monetary Board through the appropriate supervising and examining department of the Central Bank at least thirty (30) days before taking steps to effect dissolution.

SEC. 49. *Annual Reports*

Every non-stock savings and loan association shall, within sixty (60) days after the close of its fiscal year, furnish the Monetary Board and mail to each of its members, a copy of its financial statement certified by the external auditor provided for in Sec. 51 hereof showing, in such form and detail as the Monetary Board shall require, the amount and character of the assets and liabilities of the Association at the end of the preceding fiscal year. Any non-stock savings and loan association may, in lieu of mailing, publish such financial statement in any newspaper of general circulation in the city or town in which its principal office is located. The Monetary Board may, in addition to the foregoing, require the publication of such other information as it shall deem necessary for the protection of the members of these associations.

SEC. 50. *Forms and Accounting System*

Credit, legal, accounting, and other forms to be used by non-stock savings and loan associations as well as the accounting system and classification of accounts, shall be prescribed by the Monetary Board.

The voucher system of accounting and the prescribed chart

of accounts should be adopted for use by non-stock savings and loan associations.

SEC. 51. *External Auditor*

All non-stock savings and loan associations, except those registered and operating with total resources of less than fifty thousand pesos (P50,000.00) shall engage the services of a reputable independent certified public accountant to audit their books of accounts at least once a year, or as often as necessary.

SEC. 52. *Confidential Information*

No director, officer or employee of non-stock savings and loan associations or of the Central Bank shall disclose any information relating to member-borrowers and their applications or to the operations of the Association unless permitted by the Monetary Board of the Central Bank: *Provided*, however, That in the case of an Association under examination, the Director of the appropriate supervising and examining department of the Central Bank may furnish findings of examination to the office or firm where such Association does business.

All deposits of whatever nature with a non-stock savings and loan association are considered absolutely confidential in nature, and may not be examined, inquired or looked into by any person or government official, bureau or office, except when the examination is conducted by the Monetary Board or the official of the appropriate supervising and examining department of the Central Bank, pursuant to the provisions of Republic Act No. 3779, as amended, or upon written permission of the depositor, or in cases of impeachment, or upon order of a competent court in cases of bribery or dereliction of duty of public officials, or in cases where the money deposited or invested is the subject matter of the litigation.

No official or employee of a non-stock savings and loan association shall disclose to any person any information concerning said deposits, except in cases mentioned in the preceding paragraph of this Section.

SEC. 53. *Yearly Examination and Reporting Requirements*

The director of the appropriate supervising and examining department of the Central Bank, personally or by deputy, shall make at least once a year and at such other times as he or the Monetary Board may deem necessary and expedient, an examination, inspection or investigation of the books and records, business affairs, administration, and financial condition of any non-stock savings and loan associations.

Non-stock savings and loan associations shall submit to the appropriate supervising and examining department reports which may be required by said supervising department.

A non-stock savings and loan association shall pay the fines prescribed in Circular No. 514 for any refusal to permit examinations and for delay in submission of required reports.

SEC. 54. *Penalty*

Any person violating the provisions of this Circular shall be subject to the penal provisions of Section 29 of Republic Act No. 3779, as amended.

SEC. 55. *Applicability of Other Rules*

Other rules and regulations applicable to stock savings and loan associations, insofar as they are applicable and not inconsistent with this Circular shall also apply to non-stock savings and loan associations.

SEC. 56. *Repealing Clause*

This Circular repeals and supersedes Circular No. 157 (as amended by Circulars No. 159, 165, 193, 235, 249, 261, 272, 328, 349, 404, 429, 459, 469, 477, 579, 636); Circulars No. 201, 278, 487 and 548; Memorandum Circular to Savings and Loan Associations No. 74-30 dated April 25, 1974; Memorandum to Savings and Loan Associations No. 19 dated October 18, 1970, No. 21 dated February 11, 1971, No. 5 dated November 29, 1965; Circular Letter No. 71-6 dated September 30, 1971 and other provisions of existing rules and regulations on non-stock savings and loan associations inconsistent herewith.

SEC. 57. *Effectivity*

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

CIRCULAR NO. 693
September 14, 1979

REGULATIONS GOVERNING THE ISSUANCE OF CHECKS
WITHOUT SUFFICIENT FUNDS OR CREDIT

Pursuant to its authority under Republic Act No. 265, as amended, and to complement the provisions of Batas Pambansa Blg. 22, an Act penalizing the making or drawing and issuance of a check without sufficient funds or credit, the Monetary Board, in its Resolution No. 1583 dated August 31, 1979, issued the following regulations:

SECTION 1. The drawee bank shall stamp, write or print on a dishonored check or on a paper attached thereto the date the check is presented for payment and the reason for the refusal to pay the same to the holder thereof.

SEC. 2. Where the reason for the dishonor of a check is stamped, written or printed on a paper attached to the check, the drawee bank shall indicate the pertinent details, such as the names of the drawer, the payee and the drawee bank, the date and amount of the check, the check number and the date of dishonor.

SEC. 3. The drawee bank shall use only the remark or notation "Drawn Against Insufficient Funds", "No Sufficient Funds", or "Insufficient Funds" stamped, written, or printed on, or attached to the check dishonored or returned by reason of insufficiency of funds or credit.

SEC. 4. Notwithstanding receipt of an order to stop payment, the drawee bank shall likewise stamp, write, or print on, or attach to the check any of the remarks or notations mentioned in Section 3 hereof indicating that there were no sufficient funds in or credit with such bank for the payment in full of such check, if such be the fact. The bank shall also indicate receipt of a stop payment order.

SEC. 5. For local exchanges, a check dishonored by reason of insufficiency of funds or credit shall be returned by the drawee bank to the negotiating bank not later than the next regular clearing. For out-of-town exchanges, a check so dishonored shall be returned by the drawee bank to the negotiating bank within the period specified in the Memorandum to Authorized Agent Banks announcing the opening of clearing facilities in each of the authorized regional clearing centers.

A check dishonored by reason of insufficiency of funds or credit which was not coursed through the Central Bank clearing system shall be returned by the drawee bank to the holder or the negotiating bank, as the case may be, not later than the business day

following the date the check is presented for payment with the drawee bank.

The negotiating bank shall, in turn, return a check dishonored by reason of insufficiency of funds or credit to the holder not later than the business day following its receipt of the dishonored check from the drawee bank.

SEC. 6. This Circular shall not be deemed or construed to modify or amend the provisions of the Negotiable Instruments Law.

SEC. 7. Any bank and any of its officers and employees who violates or fails to comply with 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.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 694
September 14, 1979

SUBJECT: *Assessment and Collection of Fees and Charges on Exports under Letter of Instructions No. 808 issued on February 9, 1979 as Implemented by NEDA in its Rules and Regulations dated August 27, 1979.*

Pursuant to Letter of Instructions No. 808 dated February 9, 1979, which provides that all fees and charges assessed on exports shall be consolidated and collected after shipment through Authorized Agent Banks (For purposes of this Circular, authorized agent banks refer to commercial banks only) as deductions from export proceeds and in accordance with the rules and regulations set forth by the National Economic and Development Authority on August 27, 1979, the Monetary Board, in its Resolution No. 1610 dated August 31, 1979, approved the following procedures for the guidance and implementation of Authorized Agent Banks and all others concerned.

SECTION 1. All fees and charges assessed on exports (covered by irrevocable letters of credit whose payment shall take place

within ninety (90) days from the date of shipment) by the different government collecting agencies before shipment shall be consolidated in one form called "Authority to Collect" (AC). The AC Forms, serially numbered, shall be requisitioned from the Revenue Collection Office of the Central Bank of the Philippines and shall be treated as accountable forms by the Authorized Agent Banks.

SECTION 2. The Authorized Agent Banks shall supply the exporter with the AC Form together with the Export Declaration. This Form shall be coursed by the exporter to all government offices/agencies imposing and collecting fees and charges on the particular product for export. All government collecting offices/agencies shall indicate the export fees and charges being imposed and the authorized official making the assessment for collection shall affix his signature thereto. Any erasure or alteration should bear the initials of the authorized signatories.

SECTION 3. The Authorized Agent Banks upon submission by the exporter of the accomplished AC Form shall determine the total assessments of the different offices/agencies and deduct these assessments from the export proceeds. Payment shall be recorded by machine validation, in words and in figures, at the space provided for at the bottom portion of the AC Form and shall bear the signature of the authorized bank officials. These fees and charges on exports shall constitute a lien on the peso proceeds of the shipment involved.

SECTION 4. The Authorized Agent Banks shall submit to the Export Duty Division, Revenue Collection Office, Central Bank of the Philippines, a daily summary report of collection of export fees and charges collected by them and their branches. This Summary shall be signed by a responsible official of the authorized agent bank and shall be accompanied by the original copies of the AC Forms. Authorized agent banks and their branches within Greater Manila Area shall submit their daily reports of collections within seven (7) days following the date of collection. For collections made by branches of Authorized Agent Banks outside the Greater Manila Area, and for collections of authorized agent banks whose head offices are outside the Greater Manila Area, the daily summary of collections shall be submitted, through their respective Head Office as soon as possible but not later than twenty one (21) days after receipt of collection. Notwithstanding that an Authorized Agent Bank or branch thereof may not have made any collection of fees and charges on exports in a particular business day, the daily summary of collection of fees and charges on exports shall nevertheless be submitted with indication that no fee or charge on exports was collected on said day.

The summary shall contain the following: (1) AC No.; (2) Name of Exporter; and (3) Amount. All copies of ACs cancelled or voided due to error or any other cause shall be listed in the summary report and submitted to the Revenue Collection Office, Central Bank of the Philippines. A copy of the summary of collection accompanied by copies of the ACs (NEDA copy) shall be submitted by the authorized agent banks to the Policy Coordination Staff, NEDA, 9th Floor CB Multi-Storey Bldg., Ermita, Manila.

SECTION 5. All collections of fees and charges on exports made by authorized agent banks shall be credited to the special account "Due to Central Bank — Fees and Charges on Exports" and shall:

- a. Not be subject to the "liquidity floor" requirement;
- b. Be exempted from the deposit reserve requirement; and
- c. Not be subject to payment of interest to the Government.

On the other hand, the Authorized Agent Banks shall not collect any charges for the services rendered.

SECTION 6. All collections of fees and charges on exports made by the Authorized Agent Banks and their branches in the Greater Manila Area shall be remitted to the Central Bank of the Philippines by the Authorized Agent Banks concerned by Cashier's, Manager's or Treasurer's checks within seven (7) days from the date of collection. However, remittances of collections made by branches of Authorized Agent Banks outside the Greater Manila Area and collection of Authorized Agent Banks whose head Offices are outside the Greater Manila Area, shall be made to the Central Bank of the Philippines within twenty one (21) days from date of collection. Any collection not remitted within the said period of seven (7) or twenty one (21) days, as the case may be, shall be debited against the demand deposit accounts with the Central Bank of the Philippines of the Authorized Agent Banks concerned.

SECTION 7. For purposes of identifying signatories of the different government offices/agencies involved in the collection of fees and charges on exports, these offices/agencies shall furnish the Central Bank — Revenue Collection Office with the name and specimen signature of their signing officers.

SECTION 8. The Authorized Agent Banks shall submit to the Export Duty Division, Revenue Collection Office, Central Bank, within seven (7) days after the end of the month a report of AC requisitioned and disposed (by numbered set not pad).

The report shall show the following:

- (1) On hand, beginning of the month
- (2) Requisitioned during the month
- (3) Used during the month
- (4) Cancelled during the month, and
- (5) On hand, end of the month

SECTION 9. The Authorized Agent Banks who wilfully delay the submission of their reports of collection and remittance of said collection to the Central Bank of the Philippines within the prescribed period shall be subject to the penalties imposed under CB Circular No. 550 dated December 13, 1976.

This Circular shall take effect fifteen (15) days after publication of the implementing rules and regulations by the National Economic and Development Authority in a newspaper of general circulation.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 695
September 26, 1979

***RULES AND REGULATIONS GOVERNING THE GRANT
OF AUTHORITY TO THRIFT BANKS TO ACCEPT
"NOW" ACCOUNTS***

The Monetary Board, in its Resolution No. 1681 dated September 14, 1979, approved the following rules and regulations governing the grant of authority to thrift banks to accept "NOW" accounts.

SECTION 1. *Definition of "NOW" ACCOUNTS* — "NOW" accounts are savings accounts from which funds may be withdrawn by means of negotiable orders of withdrawal. They shall be kept and maintained separately from the regular savings deposits subject to withdrawal thru the presentation of withdrawal slips and passbooks.

SECTION 2. *Procedural Requirements* — Any thrift bank desiring to offer "NOW" accounts shall submit an application in the form of a letter-request addressed to the Monetary Board thru the

appropriate supervising and examining department of the Central Bank which shall evaluate the same, taking into consideration, among other things, (a) the capital, financial condition and profitability or earning capacity of the applicant bank; (b) existing systems and procedures and internal control safeguards of the applicant bank; (c) the ability of the bank's personnel to handle "NOW" accounts; and (d) the general compliance by the applicant bank with banking laws, rules and policies, and all other orders or instructions of the Monetary Board and/or Central Bank Management.

SECTION 3. *Minimum Qualification Requirements* — The authority to offer "NOW" accounts shall be granted only to thrift banks which meet the following requirements:

3.a *Capitalization*

3.a.1 An applicant thrift bank shall have adequate capital pursuant to law and shall have complied fully with the minimum paid-in capital required of savings and mortgage banks, private development banks and stock savings and loan associations under existing increased capitalization program of the Central Bank.

3.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.

3.b *Financial Condition*

3.b.1 The bank shall not have incurred any capital deficiency computed under Section 30 of R.A. No. 337, as amended, and pertinent rules and regulations, on any day during the six-month period immediately preceding the filing of its application, up to the day before "NOW" accounts are offered or extended to the public.

3.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-month period immediately preceding the filing of its application, up to the day before "NOW" accounts are offered or extended to the public.

3.b.3 The applicant bank shall have had profitable operations during the last three (3) calendar years prior to the filing of the application.

SECTION 4. *Limitations and Restrictions* — The authority to accept “NOW” accounts shall be subject to the following limitations/restrictions and conditions:

- 4.a A bank may accept “NOW” accounts only after a permit has been issued by the Governor upon the recommendation of the appropriate supervising and examining department of the Central Bank, which permit shall be issued only after the thrift bank shall have presented satisfactory proof that its personnel possess the necessary training and/or experience and its facilities are adequate to operate and/or service “NOW” accounts; that it has adopted appropriate and adequate systems and procedures and internal control safeguards; that it has complied with all the conditions imposed on the approval of its application to accept “NOW” accounts; and that it has satisfactorily complied with all other conditions/requirements imposed in this Circular.
- 4.b Only natural persons shall be eligible to maintain “NOW” accounts.
- 4.c A bank may be permitted to accept or offer only either demand deposits or “NOW” accounts, but not both.
- 4.d The order of withdrawal form shall have a size of three (3) inches by six and three eight (6-3/8) inches, and shall be printed on security/check paper. It shall contain as a minimum the features contained in the following proforma order of withdrawal:

<i>FRONT</i>	
Acct. No. _____	No. _____
ORDER OF WITHDRAWAL - “NOW” ACCOUNTS	
_____, 19____	
Pay to _____ the amount of	
PESOS _____ (P_____)	
NAME OF DRAWEE BANK	
Address _____	
_____ Drawer/Depositor	

BACK

Important

1. This order of withdrawal shall be payable only to a specific person, natural or juridical, and not to bearer nor to the order of a specific person.
2. Only the payee can encash this order of withdrawal with the drawee bank, or deposit it in his account with the drawee bank or with any other bank.

- 4.e As stated in the reverse side of the pro-forma order of withdrawal shown in 4.d above, only the payee can encash the order of withdrawal with the drawee bank. However, the order of withdrawal can also be deposited to his account with the drawee bank or with any other bank.
- 4.f Any order of withdrawal which may be deposited with a bank other than the drawee bank shall be presented by the depository bank to the drawee bank for payment and shall not be included among the clearing items sent by said depository bank to the Central Bank clearing office.
- 4.g Advertisements on the grant of authority to any thrift bank to offer "NOW" accounts that tend to prejudice other banks not given similar authority shall not be allowed.

SECTION 5. *Minimum Operation and Control Procedures*

- 5.a The order of withdrawal shall be pre-numbered and shall be treated as an accountable form of thrift banks.

5.b *Opening of Account*

- 5.b.1 The depositor shall be informed in writing of the terms and conditions governing "NOW" accounts.
- 5.b.2 The bank shall require the depositor to present appropriate identification, the acceptability and validity of which shall be determined by the bank officer authorized to approve the opening of the account.
- 5.b.3 The depositor shall fill up information and signature cards.
- 5.b.4 The bank shall adopt other measures to ensure that

only desirable accounts are accepted.

5.c *Deposits*

- 5.c.1 The depositor shall fill up a Deposit Slip at least in duplicate, or a deposit slip with a stub, to be presented to the bank, together with the cash and/or checks to be deposited.
- 5.c.2 The bank shall validate and initial the verified deposit slip to acknowledge receipt of deposits and return one validated copy of the deposit slip or the validated stub to the depositor.

5.d *Withdrawals*

- 5.d.1 The depositor shall fill up or issue an order of withdrawal pro-forma of which is shown under Section 4.d above
- 5.d.2 The bank shall examine the order of withdrawal presented for payment to determine the authenticity or genuineness of the depositor's signature.
- 5.d.3 Every withdrawal shall be approved by an authorized bank officer.

5.e *Monthly Bank Statement*

- 5.e.1 A Bank statement shall be sent to each depositor at the end of each month for confirmation of balances.
- 5.e.2 Paid orders of withdrawal shall be retained by the bank for future reference.
- 5.e.3 Any complaint or exception of depositors received by the bank shall be referred to the Auditor of the drawee bank.

SECTION 6. *Other requirements.* — The officers and employees involved in the operation of "NOW" accounts should be men of integrity, technically competent and shall be adequately bonded and/or covered by adequate blanket insurance coverage.

SECTION 7. *Penal Provisions* — Any violation of these rules and regulations shall subject the bank concerned, its officers, and/or employees responsible for such violation, to the corresponding sanctions provided under Section 34 and 34-A of R.A. No. 265, as amended, whenever applicable, without prejudice to such criminal action as may be warranted under the circumstances.

SECTION 8. *Effectivity* — This Circular shall take effect immediately.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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CIRCULAR NO. 696
September 26, 1979

**AMENDING CIRCULAR NO. 679 PRESCRIBING MAXIMUM
INTEREST RATES ON BANK DEPOSITS**

The Monetary Board, in its Resolution No. 1681 dated September 14, 1979, amended Section 2 of Circular No. 679 to read as follows:

SECTION 2. *Savings Deposits*

- a. *Commercial Banks, the Development Bank of the Philippines and the Land Bank of the Philippines* — The maximum rate of interest on savings deposits in commercial banks, 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 banks (as defined in Section 6-A of R.A. No. 337, as amended)* —
 - (1) The maximum rate of interest on savings deposit except "NOW" accounts, in these banks shall be seven and one-half per cent (7-½%) per annum which may be compounded daily, monthly or quarterly, on the basis of either the average or actual daily balance.

- (2) The maximum rate of interest on "NOW" accounts in these banks shall be five per cent (5%) per annum which may be compounded daily, monthly or quarterly, on the basis of either the average or actual daily balance.
- c. *Regional Units Banks (Rural Banks)* — The maximum rate of interest on savings deposits in these banks shall be seven and one half per cent (7-½%) per annum which may be compounded daily, monthly or quarterly, on the basis of either the average or actual daily balance.
- d. Banks shall not compute interest on savings deposits and on "NOW" accounts on the basis of the lowest monthly balance or any other method not mentioned above.
- e. Where interests are computed daily/monthly/quarterly, banks shall use a 360-day year.

This circular shall take effect immediately.

(SGD) AMADO R. BRINAS
Senior Deputy Governor

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CIRCULAR NO. 697
September 26, 1979

**AMENDING FURTHER CIRCULAR NO. 552, AS AMENDED
BY CIRCULAR NO. 628, ON RESERVES AGAINST DEPOSITS
AND DEPOSIT SUBSTITUTES LIABILITIES OF BANKS**

The Monetary Board, in its Resolution No. 1681 dated September 14, 1979, amended further Section 1 of Circular No. 552, as amended, 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 “NOW” accounts — twelve per cent (12%) of such deposit liabilities.
- c) Against time and savings deposits other than “NOW” accounts — 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) AMADO R. BRIÑAS
Senior Deputy Governor

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CIRCULAR NO. 698
October 5, 1979

AMENDING FURTHER CIRCULAR NO. 575, AS AMENDED

The Monetary Board, in its Resolution No. 1637 dated September 7, 1979 approved the following amendments to Circular No. 575, as amended:

SECTION 1. Section 7(c) of Circular No 575, as amended, is hereby further amended to read as follows:

“x x x

(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 or commercial and industrial board of domestic stock exchanges and not more than 50% of the subscribed capital thereof is owned by any person or by persons related to each other within the third degree of consanguinity or affinity.

x x x”

SEC. 2. Section 10 of the same Circular is hereby amended to to read as follows:

“Section 10. *Collateral Requirement.* — Credit accommodations of a non-bank financial intermediary performing quasi-banking functions to any of its directors, stockholders, subsidiaries and affiliates, and relatives of its directors, officers, and stockholders shall be fully secured by a mortgage on real estate or securities issued by the National Government, or by the Central Bank of the Philippines or securities issued by other government entities, including government-owned and controlled corporations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines, or pledge of high grade securities other than those issued by the lender, its affiliates or subsidiaries: *Provided*, however, That the lender may accept collaterals other than those enumerated in this section as security for credit accommodations to corporations whose only linkage with the lending entity is thru a single director/officer interlock 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, further,* (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 by-laws of the corporation to qualify as director.”

This Circular shall take effect immediately.

(SGD) AMADO R. BRÍÑAS
Senior Deputy Governor

CIRCULAR NO.699

October 25, 1979

**EXEMPTION OF RURAL BANKS FROM THE REQUIREMENTS
OF CIRCULAR NO. 558, AS AMENDED**

Pursuant to Resolution No. 1682 dated September 14, 1979,
the Monetary Board promulgated the following regulations:

1. Rural Banks shall be exempted from the requirement of operations/management audit under Items 1 and 5 of Circular No. 558, as amended. In lieu thereof, the boards of directors of rural banks shall be required to cause the submission of accomplished survey forms/questionnaires to the Department of Rural Banks and Savings and Loan Associations (DRBSLA) not later than 90 days after the close of each calendar year as basis for an overall review and appraisal of management's methods and performance. For this purpose, DRBSLA shall furnish the rural banks with the necessary survey forms/questionnaires; and
2. Rural banks shall be exempted from the requirement of financial audit under Item 5 of Circular No. 558, as amended, except the following:
 - (a) Those whose past due accounts with the Central Bank reach 15% or more at any time during the year; and
 - (b) Those with Central Bank exposure in the form of counterpart capital, outstanding rediscounting, and special time deposits totalling ₱2 million or more.

This Circular shall take effect immediately.

(SGD) G.S. LICAROS
Governor

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CIRCULAR NO. 700

October 30, 1979

**REGULATIONS GOVERNING ISSUANCE OF MORTGAGE AND
MORTGAGE CERTIFICATES PROVIDED UNDER SECTION 33
OF REPUBLIC ACT NO. 337, AS AMENDED**

The Monetary Board, in its Resolution No. 1657 dated September 7, 1979 decided to authorize savings and mortgage banks and private development banks which are authorized to engage in quasi-banking functions to issue mortgage and chattel mortgage certificates, buy and sell them for their own account or for the account of others, or accept and receive them in payment or as amortization of their loans as provided in Section 33 of Republic Act No. 337, as amended. The issuance of mortgage and chattel mortgage certificates shall be under the following terms and conditions:

- a) The bank shall strive to coordinate the amounts and maturities of its certificates with those of its loans, so as to ensure adequate cash receipts for the payment of principal and interest at the time they become due;
- b) The maximum aggregate amount of mortgage and chattel mortgage certificates that may be issued at any one time shall not exceed 25% of the average collections during the year on loans granted under sub-sections (b-2), (c) and (d) of Section 31 of R.A. No. 337;
- c) Denomination: Minimum of ₱20,000;
- d) Term: Minimum of four years;
- e) Interest: To be governed by Circular No. 585 superseding Circular No. 493 on interest rate on time deposits of more than 730 days and yields on deposit substitutes and provisions of other pertinent circulars and any subsequent amendments thereto,
- f) Purpose: Exclusively for the financing of the loans enumerated in sub-sections (b-2), (c) and (d) of Section 31 of R.A. No. 337;
- g) The mortgage and chattel mortgage certificates shall be in a form and tenor to be prescribed by the Central Bank;
- h) The amount issued and outstanding shall be subject to 5% reserve requirement; and
- i) The issuance of the certificates shall be subject to such rules and regulations that may be issued later by the Monetary Board.

Savings and mortgage banks and private development banks desirous of availing this privilege shall submit their application with the Department of Commercial and Savings Banks, Central Bank.

This Circular shall take effect immediately.

(SGD) AMADO R. BRINAS
Senior Deputy Governor

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CIRCULAR NO. 701
November 5, 1979

***REVISED RULES AND REGULATIONS GOVERNING THE
LENDING PROGRAM UNDER THE COTTAGE INDUSTRY
FUND (CIF)***

Pursuant to Presidential Memorandum Circular No. 1059 dated May 8, 1978 and Monetary Resolution No. 2042 dated December 8, 1978 as amended by Monetary Board Resolution Nos. 864 and 1744 dated May 4, 1979 and September 28, 1979, respectively, 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, private development banks and stock savings and loan associations 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* — Rural Banks, Private Development Banks and Stock Savings and Loan Associations qualified to participate in this credit program in accordance with Section I.
- e. *STD* — Special Time Deposit extended by CB to rural Banks, private development banks and stock savings and loan associations for financing loan applications.

- f. *Loan* — the loan extended by financing institution 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 FINANCING INSTITUTIONS

Section I. *Eligibility Requirement*

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 Financing Institution must have been in profitable operation for not less than one year.

- 1.2 All rural banks, private development banks and stock savings and loan associations which are eligible to avail themselves of the special time deposits and rediscounting facilities of the Central Bank are qualified to participate under this program.

Section 2.

Whenever there are established standard or criteria by way of ratios, percentages or otherwise in any Law, Decree, General Order, Rule, Regulation, or other directive in force, in relation to the factors enumerated in Section I, such standards or criteria shall be deemed applicable for the purpose of conducting an evaluation of the credit worthiness under said Section I.

II. LOAN EXTENDED BY PARTICIPATING FINANCING INSTITUTION 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 do-

mestic demand or exportation of the excess 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, boloes, 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 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 *Toy craft*, 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 confectionary 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 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 chattel 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 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 Sections 8 and 9 hereof, an attorney's fee equivalent to ten percent (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 CB-DRBSLA 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.

12.1 Corresponding certificates of registration/accreditation with NACIDA.

12.3 Duly signed Certificate of Special Time Deposit issued by the Financing Institution 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 release after 30 days from receipt. Failure on the part of the Financing Institution to refund the unreleased portion of the STD shall subject the Financing Institution to a penalty of 14% per annum over and above the 4% interest on 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 Financing Institution together with the corresponding certificate of registration/accreditation with the NACIDA and any or all collateral documents securing said loans;

14.c The Financing Institution's advice to CB-DLC to remit rediscounting proceeds to the CB-DRBSLA to be applied in payment of the outstanding STD of the applicant Financing Institution;

14.d The Financing Institution's signed promissory note in favor of the Central Bank;

14.e Resolution of the board of directors authorizing the Financing Institution 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 Financing Institution 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 100% of the loan at the rate of 3% 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 in accordance with the existing Rules and Regulations.

This Circular amends and modifies Memorandum Circular To All Rural Banks dated December 19, 1978, as well as provisions of existing regulations which may be inconsistent herewith.

(SGD) G. S. LICAROS
Governor

Attachment

ANNEX A
(To be submitted in
quadruplicate)

***NACIDA Accredited/Registered
Small/Cottage Industry Questionnaire***

1. Trade Name _____
2. Address: Office _____ Factory _____
3. NACIDA Reg. No. _____ Date _____
NACIDA Accreditation No. _____ Date _____
4. Manufacturing process (describe very briefly): _____

-
-
- a) Raw materials used: _____
- b) Sources of raw materials: _____
- c) Machineries & equipment used: _____
- d) Finished products: _____
- 1) Products presently manufactured _____
- 2) Products proposed to be manufactured _____
- f) Number of workers: _____
5. Marketing of Products: _____
- a) Briefly described marketing practices: _____
-
-
- b) Prices of products: _____
- c) Methods of distributions: _____
- d) Area of distribution: _____
- e) User/consumer of products: _____

I hereby certify that the information
herein is true to the best of my know-
ledge and belief.

Signature: _____

N A M E : _____

(Please Print)

Note: Please attach any additional information in connection with
this questionnaire that you may wish to present.

CIRCULAR NO. 702
November 16, 1979

Pursuant to Monetary Board Resolution No. 1996 dated November 9, 1979, implementing Letter of Instructions No. 942 dated October 16, 1979 of the President of the Philippines, providing for, among others, the simplification of export procedures, the following rules governing non-traditional exports are hereby promulgated:

1. Exporters of non-traditional commodities are exempted from filing the required Report of Foreign Sales (CBP-6-21-01). For purposes of this Circular, non-traditional exports are those not falling under the list of traditional exports in the attached Annex 1.
2. The Export Declaration (CBP 6-21-02) shall, however, still be accomplished by said exporters as heretofore required, and shall be duly supported by two (2) copies of either the pertinent contract of sale, confirmed purchase order, or the cable offer and acceptance executed by and between the exporter and the foreign buyer.
3. The authorized agent bank concerned may register the Export Declaration unless existing rules require referral of the export transaction to the Central Bank Export Department for prior verification/approval.
4. All other existing export rules of the Central Bank shall remain in force.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

(See attachment)

ANNEX 1

LIST OF TRADITIONAL PHILIPPINE EXPORTS

<i>Commodity Description</i>	<i>PSCC* Code</i>
Coconut Products	

Copra	223.10-100
Coconut oil	424.3
Desiccated coconut	057.72-00
Copra Meal/Cake	081.37-00
Sugar Products	
Centrifugal Sugar	061.11-00
Refined Sugar	061.20-00
Molasses	061.5
Mineral Products	
Copper Concentrates	287.11-02
Iron Ore	281.50-01
Iron Concentrates	281.50-02
Chromium Ore	287.91-01
Forest Products	
Logs	247
Lumber	248
Plywood	634.2
Fruits and Vegetables	
Pineapples, canned	058.99-08
Pineapple juice	058.54-00
Pineapple Concentrates	058.57-05
Gold	
Gold Bullion	971.01-01
Other Gold	971.02-00
Unmanufactured Abaca Fibers	265.5
Tobacco Unmanufactured	121
Petroleum Products	334 & 335

*Philippine Standard Commodity Classification

CIRCULAR NO. 703
November 21, 1979

[Pursuant to Monetary Board Resolution No. 1990 dated November 9, 1979, the following sanctions/penalties shall be imposed on commercial banks for unremitted collections/delayed remittances of collections in violation of Item 4 of Memorandum to Authorized Agent Banks No. DLC-2 dated December 29, 1972 prescribing the basic rules governing loans or advances from the Central Bank and for delayed recording of corresponding credit advices received from foreign banks:

- a. *For the first offense.* The erring bank shall be assessed and charged a penalty rate equivalent to the difference between fifteen percent (15%) and the Central Bank rediscount rate charged on such advances, with a warning that a recurrence of any such malpractices shall be a ground to additionally impose on the bank a fine of five hundred pesos (P500) per day of delay commencing from the day immediately after the deadline provided under said MAAB No. DLC-2; and
- b. *For the second offense.* The erring bank shall be assessed and charged the penalty rate and fine prescribed above, with a stern warning that, for succeeding offenses, the responsible official/s involved will be subject to suspension/dismissal in accordance with the provisions of Section 34-A of R.A. No. 265, as amended, in addition to the imposition of the penalty rate and fine mentioned above.

In the determination and computation of penalty as stated above, the "offense" committed by erring bank(s)/responsible official(s) shall be counted/-reckoned on a per day and not on per transaction basis.

Additionally, commercial banks are hereby required to support rediscount applications covering export bills with a certification to the effect that the exporter-borrowers' packing credits rediscounted with the Central Bank had been liquidated by the exporters concerned and that the corresponding loan values thereof had been fully settled with the Central Bank and/or, in case of partial negotiations of letters of credit, the amounts corresponding thereto had been applied in partial payment of the exporters' packing credit advances and the proportionate loan values thereof had been remitted to the Central Bank. A sample copy of the required certification is hereto attached.

This Circular shall take effect immediately and all existing

circulars, rules and regulations, and instructions inconsistent herewith shall be deemed revoked and/or modified accordingly.

(SGD.) G. S. LICAROS
Governor

Attachment.

C E R T I F I C A T I O N

This is to certify that: (1) the packing credit rediscounted with the Central Bank covering the export bills listed below which are being submitted for rediscounting had been liquidated by the exporters concerned and that the corresponding loan values had been fully settled with the Central Bank; and (2) the amounts corresponding to partial negotiations of export L/Cs, had been applied in partial payment of the exporters' packing credit advances and the proportionate loan values thereof had been remitted to the Central Bank.

<i>Exporter/Borrower</i>	<i>Amount of Draft</i>	<i>Packing Credit Loan with CB Date Amount</i>	<i>LC/SO/PO No.</i>	<i>DLC Appl. Date</i>	<i>Remittance Amount</i>
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(Name of Bank)

By:

(Signature)

(Title)

(Signature)

(Title)

CIRCULAR NO. 704
December 1, 1979

**AMENDING CIRCULAR NO. 610, AS AMENDED,
COVERING CENTRAL BANK REDISCOUNT RATES**

The Monetary Board, in its Resolution No. 2126 dated November 29, 1979 approved the following:

1. The Central Bank basic rediscount rate shall be eleven per cent (11%).
2. The Central Bank rediscount rate for traditional exports shall be raised from four per cent (4%) to six per cent (6%).
3. Other existing Central Bank preferential rediscount rates shall continue to be applicable.

This Circular shall take effect immediately and all existing circulars, orders and/or instructions inconsistent herewith shall be deemed revoked and/or modified accordingly.

For the Monetary Board:

(SGD) G.S. LICAROS
Governor

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CIRCULAR NO. 705
December 1, 1979

**SUPERSEDING CIRCULAR NO. 586, PRESCRIBING CEILINGS
ON THE RATES OF INTEREST ON LOANS AND YIELDS ON
PURCHASES OF INSTRUMENTS BY BANKS AND NON-BANK
FINANCIAL INTERMEDIARIES**

Pursuant to its powers under existing laws, the Monetary Board, in its Resolution No. 2126 dated November 29, 1979, promulgated the following regulations governing rates of interest on loans and yields on purchases of instruments by banks and non-bank financial intermediaries:

1. The effective rate of yield, including commissions, pre-

miums, fees and other charges, from the purchase of receivables and other obligations with remaining maturities of seven hundred thirty (730) days or less, that may be charged or received by banks authorized to engage in quasi-banking functions or by non-bank financial intermediaries authorized to engage in quasi-banking functions, shall not exceed eighteen per cent (18%) per annum.

2. The effective rate of yield, including commissions, premiums, fees and other charges, from the purchase of receivables and other obligations with remaining maturities of more than seven hundred thirty (730) days, that may be charged or received by banks authorized to engage in quasi-banking functions or by non-bank financial intermediaries authorized to engage in quasi-banking functions, shall not exceed twenty-one per cent (21%) per annum.
3. The effective rate of interest, excluding commissions, premiums, fees and other charges on loan transactions with maturities of seven hundred thirty (730) days or less, that may be charged or received by all banks or by non-bank financial intermediaries authorized to engage in quasi-banking functions shall not exceed sixteen per cent (16%) per annum for unsecured loans and fourteen per cent (14%) per annum for secured loans as defined by Section 2 of the Usury Law, as amended.

The charges herein authorized to be collected exclusive of interest shall be governed by provisions of Circular No. 504.

4. The effective rate of interest, including commissions, premiums, fees and other charges, on loan transactions with maturities of more than seven hundred thirty (730) days, that may be charged or received by all banks or by non-bank financial intermediaries authorized to engage in quasi-banking functions shall not exceed twenty one per cent (21%) per annum, for both unsecured and secured loans as defined by the Usury Law, as amended.
5. For purposes of this Circular, effective rate shall mean the price paid for the use of money expressed as a percentage, on annual basis, of the amount actually received. In case the principal is amortized, the rate shall be computed on the basis of the outstanding balance. The computation assumes that interest is paid at maturity, or at the end of one (1) year, if the maturity of the loan exceeds one (1) year.
6. Except as provided for in this Circular and Circular No. 585, as amended, loans or renewals thereof shall continue to be

governed by the Usury Law, as amended.

7. This Circular shall take effect immediately and shall supersede Circular No. 586 dated December 24, 1977, and other Circulars or provisions thereof inconsistent herewith.

For the Monetary Board:

(SGD) G.S. LICAROS
Governor

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CIRCULAR NO. 706
December 1, 1979

AMENDING CIRCULAR NO. 679, AS AMENDED, CIRCULAR
NO. 585, CIRCULAR NO. 675 AND CIRCULAR NO. 306,
AS AMENDED

The Monetary Board in its Resolution No. 2126 dated November 29, 1979, approved the following amendments to Circular No. 679, as amended, Circular No. 585, Circular No. 675 and Circular No. 306, as amended:

Section 1. Section 2 of Circular No. 679, as amended, is hereby further amended to read as follows:

“Section 2. *Savings Deposits*

“a. *Banks Authorized to Accept Demand Deposits* —
The maximum rate of interest on savings deposits in banks authorized to accept demand deposits shall be nine per cent (9%) per annum, which may be compounded daily, monthly or quarterly, on the basis of either the average or actual daily balance.

“b. *Banks Not Authorized to Accept Demand Deposits* —
“(1) The maximum rate of interest on savings deposits, except “NOW” accounts in banks not authorized to accept demand deposits, shall be nine and one-half per cent (9-1/2%) per annum which may be compounded daily, monthly or quarterly, on the basis of either the average or actual daily balance.

“(2) The maximum rate of interest on “NOW” accounts in banks not authorized to accept demand deposits 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.

“c. Banks shall not compute interest on savings deposits and on “NOW” accounts on the basis of the lowest monthly balance or any other method not mentioned above.

“d. Where interests are computed daily/monthly/quarterly, banks shall use a 360-day year.”

Section 2. Section 3, Paragraph d of Circular No. 679, as amended, is further amended to read as follows:

“Section 3. *Time Deposits*

“x x x x x x x x x

“d. *Schedule of Interest Rates* — The maximum rates of interest on time deposits shall be according to the following schedule:

“(1) *Banks Authorized to Accept Demand Deposits:*

90-179 days	.....	10-1/2%
180-359 days	.....	11%
360-539 days	.....	12%
540-729 days	.....	13%
730 days	.....	14%

“(2) *Banks Not Authorized to Accept Demand Deposits*

90-179 days	.....	11%
180-359 days	.....	11-1/2%
350-539 days	.....	12-1/2%
540-729 days	.....	13-1/2%
730 days	.....	14-1/2%

Section 3. Paragraph 2.2 of Circular No. 585 is hereby amended to read as follows:

“2.2. Deposit substitutes of financial intermediaries authorized to engage in quasi-banking functions, both banks and non-banks, with a maturity of seven hundred thirty (730) days or less, shall have an effective rate of

interest or yield, including commissions, premiums, fees and other charges, which when added to the thirty-five per cent (35%) transactions tax on money market placements, shall not exceed seventeen per cent (17%) per annum."

Section 4. Section 2 of Circular No. 675 is hereby amended to read as follows:

"Sec. 2. A matured and unclaimed deposit substitute shall be payable on demand and shall earn interest at the rate applicable to a deposit substitute with a maturity of fifteen (15) days. Such rate, when added to the thirty-five per cent (35%) transactions tax on money market placements, commissions, premiums, fees and other charges, shall not exceed the effective rate of interest of seventeen per cent (17%) per annum, as provided under Section 2.2 of Circular No. 585, as amended."

Section 5. Paragraph 1 of Circular No. 306, as amended, is hereby further amended to read as follows:

"1. The ratio of banks' past due direct and indirect loans to its stockholders, directors and officers, and related interests as defined under Circular No. 357, as amended, to its aggregate past due loans as of the last examination by the Department of Commercial and Savings Banks must not exceed five per cent (5%).

"Papers covering loans to the bank's own stockholders, directors and officers, whether directly or indirectly, shall not be acceptable for rediscounting if the loans pertaining such papers are over and above their respective equity in pursuance of Monetary Board Resolution No. 1803, dated September 1967. Moreover, papers of these stockholders, directors and officers which appear as new loans but which are in reality renewed notes shall be assessed an interest rate of fourteen per cent (14%) per annum and the full amount of the covering credit shall be automatically debited against the clearing account of the bank concerned considering that renewed loans are not acceptable for rediscounting under existing regulations.

"In determining the five per cent (5%) required ratio of past due direct and indirect loans to its stockholders, directors, officers and related interests to its aggregate past due loans, matured past due advances on exports shall be excluded, Provided, that: (a) such advances are past due loans for not more than thirty (30) days and (b) the effective rate of interest to be charged by banks on their loans for financing traditional exports shall not exceed eleven per cent (11%) per annum and for other exports, nine per cent (9%) per annum."

Section 6. This Circular shall take effect immediately.

For the Monetary Board:

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 707
December 5, 1979

AMENDING CIRCULARS NOS. 640, 217, 313 AND 426

The Monetary Board, in its Resolution No. 2063 dated November 23, 1979, approved the following amendments to Circulars No. 640 dated November 20, 1978, 217 dated February 8, 1966, 313 dated November 26, 1970 and 426 dated August 21, 1974 on the rules and regulations governing the collection of internal revenue taxes and customs duties, taxes and other levies.

SECTION 1. Section 2 of Circular 640 is hereby amended to read as follows:

Authorized agent banks which include head offices, branches and agencies 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 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 or advice by the taxpayer to its bank to debit its account and shall issue and validate the corresponding Confirmation Receipt (CR) on forms prescribed for this purpose. However, payments made through a debit to the account of the taxpayer shall involve amounts of P20,000.00 and above only and accordingly, in the preparation of the Revenue Tax Receipt (RTR), the Commissioner of Internal Revenue or his authorized deputy, shall, upon inquiry from the taxpayer, indicate thereon the name of the authorized agent bank to whom the taxpayer shall pay. In turn, the authorized agent bank shall indicate in space number 12 of the Confirmation

Receipt the remarks "Account debited". 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 Tax Receipt forms issued by them.

SECTION 2. Section 1 of Circular No. 217 is hereby amended to read as follows:

Central Bank release certificates covering imports shall be issued by authorized agent banks upon payment by the importer of the amount of customs duties, taxes and other levies found due on the merchandise to be covered thereby. For this purpose, the Bureau of Customs shall issue an "order of payment" indicating the merchandise sought to be released and other particulars of the importation, and the corresponding amount of duties and other levies found due and collectible. Upon payment of such amount, the authorized agent bank shall issue an official receipt, and may then issue the release certificate covering the merchandise. Payments may be made in the form of cash, certified checks, or advice by the importer to its bank to debit its account. However, payments made through a debit to the account of the importer shall involve amounts of P20,000.00 and above only, and accordingly, in the preparation of the Order of Payment (OP), the Commissioner of Customs or his authorized deputy, shall upon inquiry from the importer, indicate thereon the name of the authorized agent bank to whom the importer shall pay. In turn, the authorized agent bank shall indicate in the bottom portion of the official receipt the remarks "Account debited".

SECTION 3. Section 3 of Circular No. 313, as amended by

Section 2 of Circular No. 613, is hereby further 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. Payments may be made in the form of cash, certified checks or advice by the importer to its bank to debit its account. However, payments made through a debit to the account of the importer shall involve amounts of P20,000.00 and above only, and accordingly, in the preparation of the Order of Payment (OP), the Commissioner of Customs or his authorized deputy, shall, upon inquiry from the importer, indicate thereon the name of an authorized agent bank to whom the importer shall pay. In turn, the authorized agent bank shall indicate in the bottom portion of the official receipt the remarks "Account debited". 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.

SECTION 4. Section 1 of Circular No. 426, as amended by Section 1 of Circular No. 613, is hereby further amended to read as follows:

Branch Offices of Authorized Agent Banks situated in Cagayan de Oro 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. Payments may be made in the form of cash, certified checks, or advice by the importer to its bank to debit its account. However, payments made through a debit to the account of the importer shall involve amounts of P20,000.00 and above only, and accordingly, in the preparation of Order of Payment (OP), the Commissioner of Customs or his authorized deputy, shall, upon inquiry from the importer, indicate thereon

the name of the authorized agent bank to whom the importer shall pay. In turn, the authorized agent bank shall indicate in the bottom portion of the official receipt the remarks "Account debited". Such forms shall be supplied to the Branch Offices of the Authorized Agent Banks by the Central Bank of the Philippines through its Regional Units and shall be treated as accountable forms by the said Offices of the Authorized Agent Banks.

SECTION 5. This Circular shall take effect immediately.

(SGD) AMADO R. BRINAS
Senior Deputy Governor

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CIRCULAR NO. 708
December 11, 1979

SUBJECT: *(Amendment to the Rediscounting Guidelines to Govern Applications of Rural Banks)*

Pursuant to Monetary Board Resolution No. 2116 dated November 29, 1979, Section 3(e) of the Rediscounting Guidelines for Rural Banks, as amended, is hereby further amended to read as follows:

"SECTION 3 — *Meaning of an Eligible Paper*

x x x

x x x

x x x

"Notwithstanding the provisions of the first paragraph of Section 145 of the Revised Rules and Regulations, the following papers are not eligible/acceptable for rediscounting:

x x x

x x x

x x x

- "(e) Promissory note (s) drawn by a borrower with non-supervised credit/non-food production supervised credit loans aggregating over P20,000.00 if the total loans of over P20,000.00 extended by the rural bank for non-supervised/non-food production supervised credit loans during the past four (4) months ending at the end of the month immediately preceding the date the rediscount or loan application is filed exceed forty per cent (40%) of the total of such loans granted during the same period; provided,

however, that in the case of sugar financing the 40% limitation shall be based on total loans of over P40,000.00; and

x x x

x x x

x x x"

This circular shall take effect immediately and all previous Memoranda, Circulars and/or Orders inconsistent herewith are hereby deemed amended and/or revoked.

(SGD) AMADO R. BRÍÑAS
Senior Deputy Governor

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CIRCULAR No. 709
18 December 1979

AMENDING THE GUIDELINES ON DOMESTIC BORROWINGS
OF FOREIGN FIRMS

Pursuant to its authority granted under Republic Act No. 265, as amended, and other pertinent laws, the Monetary Board, under its Resolution No. 2156 dated December 7, 1979, amended Section 2.4 of the Guidelines on Domestic Borrowings by Foreign Firms, to read as follows:

"2.4. Export-oriented firms' total debt shall be net of an amount equivalent to one hundred per cent (100%) of the two (2) months average export earnings from non-traditional products during the six (6) months immediately preceding the date of applications."

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD) AMADO R. BRÍÑAS
Senior Deputy Governor

CIRCULAR NO. 710
December 26, 1979

**AMENDING MEMORANDUM CIRCULAR TO ALL
COMMERCIAL BANKS AND RURAL BANKS
DATED MARCH 1, 1971**

Pursuant to Monetary Board Resolution No. 2147 dated December 7, 1979, Memorandum Circular to All Commercial and Rural Banks dated March 1, 1971 is hereby amended so as to allow savings banks authorized to accept demand deposits to act as depository banks of rural banks.

(SGD) G. S. LICAROS
Governor

CIRCULAR LETTERS

BANGKO SENTRAL NG PILIPINAS
(Central Bank of the Philippines)
Maynila, Pilipinas

CIRCULAR-LETTER NO. 10
January 3, 1979

TO: ALL FOREIGN CURRENCY DEPOSIT UNITS, CIRCULAR 343 UNITS, REGULAR UNITS OF CIRCULAR 343/547 BANKS, AND OFFSHORE BANKING UNITS

In line with the provision of Section 15 of Circular 343, as amended, which requires separate accounting of Circular 343 transactions, effective immediately, FCDUs, Circular 343 units, and the regular units of Circular 343 and 547 banks, shall indicate or otherwise identify in making their deposits/placements, with the OBUs or with the foreign-based banks or in receiving such deposits/placements, if the deposits/placements are being made, or received, by the FCDU, Circular 343 unit, or by the regular unit of the Circular 343/547 banks. The OBUs shall likewise do the same to facilitate the reconciliation of the "Due From" and "Due To" accounts of the Philippine-based participating banks which are being reported under Appendix E (CBP 6.40.01.5 for OBUs and 6-40.03.5 for FCDUs/Circular 343 banks).

(SGD) CESAR J. LOMOTAN
Deputy Governor

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CIRCULAR-LETTER
January 10, 1979

TO ALL AUTHORIZED AGENT BANKS, STOCK TRANSFER AGENTS AND REGISTRARS:

We have noted that the Daily Reports of Purchases and Sales of Philippine securities under Circular 365 dated March 16, 1973 and No. 513 dated April 12, 1976, as amended, being submitted to this Office by authorized stockbrokers/dealers are invariably delayed allegedly because of late deliveries of stock certificates, and inadequate information (FED-STD numbers, date, amount registered, etc.), which reports are needed in processing by this Office of applications

to repatriate divestments proceeds of CB-approved Philippine securities (registered under Circular No. 365) in favor of non-resident investors.

Since unwarranted delays in repatriating the above-mentioned proceeds tend to prejudice foreign investors, you are hereby enjoined to take positive steps to expedite the transmission of registration data/delivery of stock certificates to authorized stockbrokers/dealers so that repatriation of divestment proceeds/dividend remittances could likewise be facilitated.

(SGD) B. D. RUIZ
Director

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CIRCULAR-LETTER
February 2, 1979

**TO : ALL COMMERCIAL BANKS AND SAVINGS BANKS
CONCERNED**

As approved under Monetary Board Resolution No. 1467 dated September 1, 1978, please be advised that a Central Bank Regional Clearing Unit has been established in Batangas City at the third floor of the Philippine Banking Corporation Building, P. Burgos Street corner D. Silang Street, Batangas City.

Beginning February 19, 1979, [exchanges of clearing items among branches of commercial banks and savings banks in Batangas City will be conducted at 4:00 P.M. on each business day as well as on all local holidays] in the premises of the Batangas Regional Clearing Unit in accordance with the rules and regulations embodied in Central Bank Circular No. 580 dated September 19, 1977.

Simultaneously, "On Batangas" checks and "On Manila" checks may be presented for clearing respectively through the Manila Clearing Office and the Batangas Regional Clearing Unit.

In Manila

- 4:00 P.M. — Manila banks deliver "On Batangas" checks and dishonored "On Manila" checks picked up at 4:00 P.M. of the previous day.
- Manila banks pick up "On Manila" checks and the returned "On Batangas" checks delivered at 4:00 P.M. at Batangas City the previous day.

In Batangas City

- 4:00 P.M. — Batangas banks deliver "On Manila" checks and

dishonored "On Batangas" checks picked up at 4:00 P.M. of the previous day.

- Batangas banks pick up "On Batangas" checks and the returned "On Manila" checks delivered at 4:00 P.M. at Manila the previous day.

If not returned on schedule, it is understood that "On Batangas" and "On Manila" checks delivered to the Manila Clearing Office and Batangas Regional Clearing Unit, respectively, will be considered "good" after 4:00 P.M. on the third business day following the date of delivery.

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-Metro Manila) on one hand and banks in Batangas City on the other.

SETTLEMENT OF BALANCES

Clearing balances of participating banks in Batangas City shall be debited or credited, as the case may be, to the clearing accounts of their respective head offices in the afternoon on the date of clearing.

MISCELLANEOUS

Out-of-town checks shall be sealed in special brown envelope measuring 7" x 11" with the destination "TO BATANGAS or "TO MANILA", as the case may be, properly stamped in bold letters of not less than one (1) inch and two (2) green stripes, ½" wide on the right edge.

Banks shall microfilm all out-of-town checks.

(SGD) ELENA C. ZALAMEA
Chief Accountant

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CIRCULAR-LETTER
February 5, 1979

TO : ALL BANKS

[The Monetary Board in its Resolution No. 260 dated February

2, 1979 amended item Ia, IIa and IIIj of Circular Letter dated September 8, 1978 distinguishing dormant savings deposit account from dormant current/checking accounts and changing the period of review from quarterly to semestrally to read as follows:

I. Definition of dormant or inactive accounts

- a. Current or checking accounts showing no activity (deposit or withdrawal) for a period of one (1) year.
- b. Savings accounts showing no activity (deposit or withdrawal) for a period of two (2) years.

II. Procedure for Classification

- a. Initially review all deposit ledgers and segregate accounts that fall under Ia and b above. At the end of every semester thereafter, review all deposit accounts and segregate those accounts that became dormant during the semester just ended.

III. Internal Control Measures

- j. A semestral report on deposit accounts transferred to dormant should be rendered to bank management.

This Circular shall take effect immediately.

(SGD) AMADO R. BRINAS
Senior Deputy Governor

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CIRCULAR-LETTER
February 14, 1979

TO : ALL PREMIO SAVINGS BONDS "BIGLANG-BAHAY" SERIES BANK SERVICE AGENCIES

SUBJECT: PROCEDURE FOR PAYMENT OF PRIZE CLAIMS IN THE FORM OF CASH TO SERVICE AGENCY HOLDERS OF WINNING BONDS

In implementation of Ministry Order No. 4-79, series of 1979, copy attached, providing for the payment of prizes of winning Premyo Savings Bond "Biglang-Bahay" series, in the form of cash at the option of the Human Settlements Development Corporation if the

holder thereof is a service agency, the following procedure shall be observed:

1. The service agency shall prepare the usual prize claim for Premyo Savings Bonds.
2. The prize claim shall be forwarded to the HSDC with the request that payment be made in the form of cash.
3. On the basis of the above prize claim, the service agency bank shall debit the account " Due to CB-PSBs" (20% retention).
4. The Securities Servicing Department shall respond to the above debit only upon receipt of the prize claim, payment of which in the form of cash, has been approved by the HSDC.

Please be guided accordingly.

(SGD) ALINA M. DIAZ
Director

Attachment.

MINISTRY ORDER NO. 4-79
Series of 1979
February 12, 1979

FURTHER AMENDMENT TO THE RULES AND REGULATIONS
GOVERNING PREMYO SAVINGS BONDS

In accordance with Section 5 of Part VII of Department Order No. 23-74, Series of 1974, as amended, the rules and regulations governing Premyo Savings Bonds are hereby further amended to read as follows:

Section 1. Section 3 of Part IV is hereby further amended to read as follows:

Section 3. *Payment of Prizes.* — Payment of prizes by check shall be made by the Securities Servicing Department, Central Bank of the Philippines, or by the authorized service agency from whom the winning bond was purchased, only after verification by the Central Bank, and only after the presentation of the winning bond by the holder thereof; provided, however, that for winning bonds of the "Biglang-Bahay" series, prizes shall be in the form of houses and lots to be awarded through the Human Settlements Development Corporation, or at its option in cash, if the holder of the winning bond is a service agency.

Section 2. *Effectivity*. — This Order shall take effect immediately.

(SGD) CESAR VIRATA
Minister of Finance

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CIRCULAR-LETTER
March 22, 1979

TO: ALL FOREIGN CURRENCY DEPOSIT UNITS AND OFF-SHORE BANKING UNITS

In connection with the implementation of Circular 641, entitled, "Policy and Guidelines on Short-Term Foreign Borrowings", please be advised that short-term borrowings which require prior Central Bank approval under said Circular do not include *normal interbank short term (not exceeding 360 days) transactions*, e.g., credit lines of Philippine banks with correspondent banks, interbank call loans and interbank loans for general liquidity purposes.

Please be guided accordingly.

(SGD) G. S. LICAROS
Governor

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CIRCULAR-LETTER
March 26, 1979

TO : Authorized Agent Banks

Report from CBP 6-24-23 called for in Circular-Letter dated August 16, 1978 is hereby revised so as to include *short-term foreign credits* obtained from Offshore Banking Units and other foreign creditors, in addition to those currently reported in said town form, i.e., all foreign currency loans from FCDUs (Circular 547) and Circular 343 banks, *regardless of maturity*, and peso loans covered by foreign currency deposit holdouts.

Henceforth, report forms CBP 6-24-23A and CBP 6-24-23B (sample copies attached) shall be duly accomplished and submitted weekly, the original copies of which, to the Management of External

Debt and Investment Accounts Department (MEDIAD) and duplicate copies to the Foreign Exchange Department (FED).

Initial reports under these forms shall cover the week ending April 6, 1979.

(SGD) A. Z. TIANGCO
Director

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CIRCULAR-LETTER
April 5, 1979

TO: All Philippine Gold Mining Companies

RE: *[Policy Allowing Immediate Full Payment of Gold Being Sold to the Central Bank under CB Circular No. 602]*

The Monetary Board in its Resolution No. 590 dated March 23, 1979 authorized the immediate payment to gold producers of the full value of gold being sold to the Central Bank under the following arrangement:

1. The Central Bank will ascertain the full value of the gold (per company assay) being sold to the Central Bank under Circular No. 602. If the gold producer elects to sell the silver content of the delivery to the Central Bank, the full value of the same (as per company assay) shall be added to the full value of the gold content of the delivery.
2. From the full value of the gold and of the silver (if this is also sold to the Central Bank) shall be deducted the estimated cost of refining, freight, insurance and other charges and the balance paid to the gold producer making the delivery.
3. Necessary adjustments shall be made on the basis of the final outturn.

It is understood, however, that, if a gold producer is found to have overstated the assay of its gold in an amount which exceeded the MGR assay by 0.2% or more twice during any given 12-month period, the advance payment for future gold deliveries during the succeeding 12-month period, counted from the date the second overstatement is committed, shall not exceed 90%.

Please be guided accordingly.

(SGD) AMADO R. BRIÑAS
Senior Deputy Governor

CIRCULAR-LETTER
April 5, 1979

TO ALL AUTHORIZED AGENT BANKS:

Pursuant to the provisions of Presidential Decree (PD) No. 1212 dated October 12, 1977 authorizing the National Grains Authority (NGA) to determine and import exclusively the country's requirement for soybeans, soybean meal, mongo, sorghum, as well as other feedgrains and/or their substitutes, and further to our Letter Circular dated November 24, 1977, all L/C applications for the importation of the following items shall be referred to the NGA for registration/clearance before appropriate action thereon shall be taken:

<i>Description</i>	<i>Commodity Code No.</i>
1. Soybeans	UP 222.20-00
2. Sorghum (unmilled)	UP 045.92-00
3. Barley Feed (unmilled)	SEP 043.00-00
4. Meat Meal	EP 081.41-00
5. Fish Meal	EP 081.42-00
6. Bone Meal	SEP 291.11-02
7. Blood Meal	EP 081.41-00
8. Gluten Meal	UP 081.93-04
9. Peanut Meal	SEP 081.32-00
10. Ground Nut Meal	SEP 081.32-00
11. Rape Seed Meal	SEP 081.36-00
12. Wheat Bran	SEP 081.22-00
13. Cotton Seed Oil Meal	SEP 081.33-00
14. Sunflower Seed Meal	SEP 081.35-00
15. Paring Meal	UP 081.19-08
16. Alfalfa Leaf Meal	UP 081.12-00
17. Molasses	UP 061.52-00
18. Feather Meal	UP 081.19-04
19. Hay and Fodder, Green and Dry including Carobs	UP 081.11-00
20. Vegetable Wastes, other than cereal straw and husks	UP 081.19-09
21. Oil Seed Cake and Meal and other vegetable oil residues (oil cake prepared as fertilizers is excluded)	SEP 081.39-09
22. Bean Oil Cake or Meal	EP 081.31-00
23. Oil Seed Cake or Meal	EP 081.31-00
24. Meat Meal - including tankage - and fish meal (fertilizers of meat, fish bones and shells are classified in 271-01)	EP 081.41-00 EP 081.42-00
25. Whey	EP 022.41-00
26. Powdered Milk for animals	SEC 022.49-19

27. Cocoa Shells, husks, skins and waste	SEP 081.92-00
28. Poultry Feed concentrates and mixtures	SEP 081.99-00
29. Other food wastes and prepared animal feeds	SEP 081.99-09
30. Textured vegetable protein	NEP 098.09-18

This supplements our Circular Letter dated November 24, 1977.

Please be guided accordingly.

Very truly yours,

(SGD) CESAR J. LOMOTAN
Deputy Governor

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CIRCULAR-LETTER
April 20, 1979

TO: ALL COMMERCIAL BANKS AND SAVINGS BANKS
CONCERNED

As approved under Monetary Board Resolution No. 1703 dated October 13, 1978, please be advised that a Central Bank Regional Clearing Unit has been established in Dumaguete City at the third floor of the Uymatiao Building, San Jose Street, Dumaguete City.

Beginning May 7, 1979, exchanges of clearing items among branches of commercial banks and savings banks in Dumaguete City will be conducted at 4:00 P.M. on each business day as well as on all local holidays in the premises of the Dumaguete Regional Clearing Unit in accordance with the rules and regulations embodied in Central Bank Circular No. 580 dated September 19, 1977.

Simultaneously, "On Dumaguete" checks and "On Manila" checks may be presented for clearing respectively through the Manila Clearing Office and the Dumaguete Regional Clearing Unit.

In Manila

- 4:00 P.M. — Manila banks deliver "On Dumaguete" checks and dishonored "On Manila" checks picked up at 4:00 P.M. of the previous day.
- Manila banks pick up "On Manila" checks and

the returned "On Dumaguete" checks delivered at 4:00 P.M. at Dumaguete City the previous day.

In Dumaguete City

4:00 P.M. — Dumaguete banks deliver "On Manila" checks and dishonored "On Dumaguete" checks picked up at 4:00 P.M. of the previous day.

— Dumaguete banks pick up "On Dumaguete" checks and the returned "On Manila" checks delivered at 4:00 P.M. at Manila the previous day.

If not returned on schedule, it is understood that "On Dumaguete" and "On Manila" checks delivered to the Manila Clearing Office and Dumaguete Regional Clearing Unit, respectively, will be considered "good" after 4:00 P.M. on the third business day following the date of delivery.

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-Metro Manila) on one hand and banks in Dumaguete City on the other.

SETTLEMENT OF BALANCES

Clearing balances of participating banks in Dumaguete City shall be debited or credited, as the case may be, to the clearing accounts of their respective head offices in the afternoon on the date of clearing.

MISCELLANEOUS

Out-of-town checks shall be sealed in special brown envelope measuring 7" x 11" with the destination "To Dumaguete" or "To Manila", as the case may be, properly stamped in bold letters of not less than one (1) inch and two (2) royal blue stripes, ½" wide on the right edge.

Banks shall microfilm all out-of-town checks.

(SGD) ELENA C. ZALAMEA
Chief Accountant

CIRCULAR-LETTER NO. 12

April 24, 1979

TO: ALL FOREIGN CURRENCY DEPOSIT UNITS (FCDUs) AND
CIRCULAR 343 BANKS

On August 17, 1972, a circular-letter was issued requiring Circular 343 banks to maintain separate accounting records for their Circular 343 transactions. This was reiterated under Circular-Letter to All Foreign Currency Deposit Units (FCDUs) dated June 8, 1977.

Notwithstanding this requirement, we observe that some banks continue to record their foreign currency-peso swaps with the Central Bank (out of the foreign currency deposit funds) and the peso transactions arising therefrom in the regular units of the banks concerned. Since Circular 343 and 547 transactions have to be recorded separately being separate and distinct from the transactions of the regular units of the banks, authorized agent banks are requested to take up in the books of accounts of the FCDUs or Circular 343 units their foreign currency-peso swap transactions with the Central Bank, out of the foreign currency deposit funds, as well as the peso loans extended to residents out of the peso proceeds of the swaps.

(SGD) B. D. RUIZ
Director

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CIRCULAR-LETTER No. 13

May 21, 1979

TO: ALL BANKS

Effective immediately, applications to purchase foreign exchange in payment of freight charges on import cargoes *by water* incurred by:

- 1) Any office, agency or instrumentality of the government, including government-owned or controlled corporations; and
- 2) Any person, partnership, corporation or entity granted a loan or credit whose obligation is guaranteed by the Government or any of its financial institutions where the freight

charges are to be paid from the proceeds of the guaranteed loans/credits.

may be acted by the banks without need of referring the applications to the Foreign Exchange Department, this Bank, for clearance. It is understood, however, that in approving applications of this nature, the applicant/s should attach copy/copies of the approved waiver/s on the use of Philippine flag vessels issued by the Philippine Shippers' Council which copy/copies must be attached to the copy of the approved application/s to be forwarded to the FED for post audit purposes.

This supersedes Circular-Letter dated April 24, 1979.

Please be guided accordingly.

(SGD) B. D. RUIZ
Director

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CIRCULAR-LETTER
June 11, 1979

TO: ALL BANKING INSTITUTIONS

On June 29, [the National Commission on Savings will celebrate the sixth anniversary of the National Savings for Progress Campaign. To provide the opportunity for the nationwide observance of the occasion, and to underscore the importance of the national savings campaign, we have requested the President to declare the period June 25 to July 1, 1979, as SAVINGS CONSCIOUSNESS WEEK.

To increase public awareness and further generate positive attitudes toward saving, particularly saving in banks, all banking institutions are requested to participate in the observance of the sixth anniversary of the National Savings for Progress Campaign. Accordingly, banks may conduct raffles, distribute giveaways, put up window and counter displays, posters and stickers, and utilize other devices and incentives that will assist in making this year's observance a big success.

For the purpose, all banks are exempt, for the duration of the Savings Consciousness Week, from provision No. 1 of paragraph B, as well as paragraph C, of CB Circular 512, dated March 16, 1976, governing the conduct of raffles and lotteries, as well as the distribution

of giveaways, provided, however, that all other requirements of the circular shall be complied with.

(SGD) G. S. LICAROS
Governor

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CIRCULAR-LETTER
June 15, 1979

**TO: ALL BANKS, INVESTMENT HOUSES
AND FINANCING COMPANIES**

The report on the volume of loans/credit granted to builders or purchasers of units/shares in condominium projects, country clubs, sports clubs and other real property developments required under Circular-Letter July 31, 1975 shall be submitted quarterly, instead of monthly, within 10 banking/business days from reference quarter (revised format attached). The first quarterly report as of June 30, 1979 and succeeding reports shall be submitted in duplicate to the appropriate supervising and examining department, i.e., Department of Commercial and Savings Banks, Department of Rural Banks and Savings and Loan Associations and Department of Financial Intermediaries (Non-Bank).

(SGD) G. S. LICAROS
Governor

Attachment.

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CIRCULAR-LETTER
June 20, 1979

TO: ALL AUTHORIZED AGENT BANKS

The Acting Commissioner of Customs in his letter dated June 14, 1979 has requested our help and cooperation to reduce the number of outstanding Orders of Payment for export-premium duty

which hampers the collection drive of the Bureau of Customs.]

All authorized agent banks are, therefore, requested to observe strictly the provisions of Circular No. 373 dated July 2, 1973 as amended by Circular 614 dated June 27, 1978, pertinent portions of which are quoted hereunder:

“ x x x the Bureau of Customs x x x shall issue an Order of Payment to the authorized agent bank x x x x authorizing such *authorized agent bank to collect the export duty* therein stated within 30 days from date of shipment: x x x This export duty shall *constitute a lien on the peso proceeds of the shipment involved.*” (Underscoring supplied)

Considering that the export-premium duty was constituted as a lien on the peso proceeds of the export shipment, all authorized agent banks also requested not to release to the exporter the full proceeds of export unless and until the export and premium duties due on the particular shipment involved have been paid.

Your strict compliance is hereby enjoined.

(SGD) EUGENIO NIERRAS, JR.
Deputy Governor

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CIRCULAR-LETTER
July 5, 1979

TO: ALL AUTHORIZED AGENT BANKS

With Reference to [Central Bank Circular-Letter dated February 12, 1979 authorizing Authorized Agent Banks to purchase Iranian Rial currency notes tendered for sale by returning Filipino workers from Iran, please be advised that, effective immediately, such sale of said notes must be supported by a certification issued by the Overseas Employment Development Board (OEDB) indicating that the sellers are returning Filipino workers from Iran or their beneficiaries.

Please be guided accordingly.

(SGD) B. D. RUIZ
Director

CIRCULAR-LETTER

July 25, 1979

TO: All Banks

Subject: *Solicitation of Deposits Under the
Barangay Savings Movement*

Pursuant to Monetary Board Resolution No. 1103 dated June 15, 1979, banks in the Province of Negros Occidental and other provinces where the Barangay Savings Movement may henceforth be implemented may be authorized, on a case-to-case basis, to solicit deposits in designated places outside their premises on certain specific days, subject to the following rules and regulations:

1. The solicitor shall be a regular employee of the depository bank;
2. Solicitation will be allowed only in those areas or localities where the distance between the bank and barangay makes it difficult or otherwise impractical for a depositor to deal directly with the bank;
3. Banks shall make prior arrangements with barangay officials as to the dates, place, and time of solicitation and shall post notice thereof conspicuously in the agreed place of solicitation;
4. The solicitor shall be initially bonded for at least P1,000.00, subject to increase to approximate the average daily collections;
5. The solicitor shall be provided with an identification card with his photograph and signature, certified to by an officer of the bank. This identification card shall be worn by the solicitor at all times at the upper left breast of his outer garment when soliciting deposits;
6. Adequate insurance coverage for funds in transit representing deposits collected outside banking premises shall be secured by the bank concerned from insurance companies not included in the list of companies blacklisted by the Insurance Commissioner;
7. Deposit slips, different from that issued by counter tellers, shall be pre-numbered in booklet form, in triplicate and in three colors — the original to be used for posting reference, the second copy to be issued to the depositor, and the third copy to be retained in the booklet;
8. All collections shall be turned over to the Cashier at the end of each day, accompanied by a "Collection Summary Report" to be

accomplished in duplicate which shall contain the following minimum information: date of the report; names and addresses of the depositors; deposit slip numbers; amounts of deposits; savings account numbers; and the name and signature of the solicitor rendering the report;

9. The depositor shall be required to accomplish a "Signature Card" when opening an account. The card shall be used as reference in checking the genuineness or authenticity of the signature affixed on withdrawal slips or authorization for withdrawals;

10. With proper safeguards, withdrawals may also be effected through the bank solicitor;

11. Deposits and withdrawals shall be recorded by the bookkeeper in the depositor's ledger cards and passbooks on the same day that such deposits or withdrawals are accepted or approved by the bank. Passbooks shall be returned to the depositors not later than the next scheduled solicitation day; and

12. No bank shall avail itself of this solicitation facility unless it has been previously authorized by the Central Bank.

For purposes of this circular-letter, banks concerned may submit their request for authority to solicit deposits to the pertinent supervising department in the Central Bank.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR-LETTER
July 30, 1979

TO: ALL COMMERCIAL AND SAVINGS BANKS CONCERNED

Please be advised that [Memorandum to Authorized Agent Banks No. 55 dated May 14, 1974, as amended,] is further amended so as to include Dau (Mabalacat), Pampanga in the clearing area of the Central Bank Regional Clearing Unit in Angeles City.

For information and guidance, attached is an updated list of CB Regional Clearing Centers.

(SGD.) ELENA C. ZALAMEA
Chief Accountant

ANNEX "1"

Clearing Centers

*Suburban Towns & Cities
Within the Clearing Areas*

1. Manila	Quezon City, Pasay City, Caloocan City, San Juan, Mandaluyong, Makati, Parañaque, Na- votas, Malabon, Mari- kina, Pasig-Metro Ma- nila
2. Angeles City	Dau (Mabalacat), Guagua, San Fernando — Pam- panga
3. Bacolod City	—
4. Baguio City	—
5. Batangas City	—
6. Cabanatuan City	—
7. Cagayan de Oro City	—
8. Cebu City	Mandaue — Cebu
9. Dagupan City	Urdaneta — Pangasinan
10. Davao City	—
11. Dumaguete City	—
12. Iligan City	—
13. Iloilo City	—
14. Laoag City	Batac — Ilocos Norte Vigan — Ilocos Sur
15. Legazpi City	Daraga, Tabaco — Albay
16. Lucena City	—
17. Naga City	Iriga — Camarines Sur
18. San Fernando, La Union	—
19. Tacloban City	—
20. Zamboanga City	—

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CIRCULAR-LETTER

July 31, 1979

TO: ALL AUTHORIZED AGENT BANKS

Please be advised that Confirmation Receipts with five copies to a set will be used if and when authorized agent banks have already utilized all their stock of Confirmation Receipts with four copies per set. The additional copy is for the BIR Reconciliation Officers. The serial numbers for the new sets of Confirmation Re-

ceipts with five copies per set start from 3,000,001.

The color and distribution of the Confirmation Receipts with five copies per set are as follows:

	<i>Distribution</i>	<i>Color</i>
1) Original	Taxpayer's Copy	Security Cheque Paper
2) Duplicate	Central Bank Copy	Green
3) Triplicate	BIR Copy	Pink
4) Quadruplicate	BIR Reconciliation Officer's Copy	Blue
5) Quintuplicate	Authorized Agent Bank's Copy	Orange

The BIR Reconciliation Officer's copy of the Confirmation Receipt shall be attached to the duplicate copy of the Summary Report of the Collection (CB RCO Form No. 003) to be taken from collecting banks by authorized deputies of the Bureau of Internal Revenue.

(SGD.) EUGENIO NIERRAS, JR.
Deputy Governor

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CIRCULAR-LETTER
August 1, 1979

[All applications for short-term foreign currency loans pursuant to Circular 685 should be duly endorsed by the lending banks concerned to the Central Bank, thru the Management of External Debt and Investment Accounts Department, accompanied by the following requisite documents/information:

1. Articles of Incorporation;
2. List of principal officers and stockholders;
3. Latest audited financial statements;
4. Proofs of registration in priority areas with appropriate government agencies, if any;
5. Details of the intended utilization of the credit;
6. Bank certifications on the volume of raw materials/supplies

and spare parts imports for 1978 and the first semester of 1979;

7. Bank-certified statements of export receipts for 1978 and the first semester of 1979; and
8. List of all outstanding short-term foreign currency loans duly certified by an independent CPA, indicating their specific utilization and date/s of Central Bank approval, if any.

Please be guided accordingly.

(SGD.) G. V. SOLIVEN
Special Assistant to the Governor

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CIRCULAR-LETTER
August 16, 1979

TO ALL BANKS:

[Quoted hereunder, for information and guidance, is a letter dated August 3, 1979 received from the Acting Commissioner of Customs, Colonel Ramon J. Farolan.]

“Republic of the Philippines
MINISTRY OF FINANCE
BUREAU OF CUSTOMS
Manila

3 August 1979

The Honorable Governor
Central Bank of the Philippines
Manila

Sir:

It has come to the attention of this Office that in certain instances, checks drawn in favor of the Collector of Customs had been deposited in the personal account of persons or entity other than the Collector of Customs. This practice is obviously irregular and fraudulent and if true should be discontinued.

In view thereof, may we request your assistance to please instruct all banks that checks payable to the Collector of

Customs should not be accepted for deposit in the name of any individual or entity nor be accepted as payment or extinguishment of any debt or obligation of private person/s.

Thank you very much for your valuable assistance.

Very truly yours,

(SGD.)
RAMON J. FAROLAN
Colonel PAF
Acting Commissioner of Customs"

Your cooperation is enjoined.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR-LETTER
September 28, 1979

TO ALL OFFSHORE BANKING UNITS

Effective immediately, you are hereby required to report monthly transactions on foreign loans granted to residents using the attached form "Report on Foreign Loans to Residents (CBP 6-24-24)."]

The initial report which shall cover transactions for the month of September, 1979 should be submitted to the Management of External Debt and Investment Accounts Department (MEDIAD) not later than October 15, 1979. Monthly reports thereafter should be submitted to said Department within five (5) banking days after the end of the month covered by the report.

To ensure accuracy and consistency in reporting, please refer to the accompanying instructions on the proper accomplishment of the report form.

Strict compliance herewith is enjoined.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

CIRCULAR-LETTER NO. 16
November 12, 1979

TO: ALL FCDUs AND 343 Depository Banks

FCDUs and 343 Depository Banks are reminded that pursuant to existing regulations, the following are not considered eligible foreign currency cover for deposit liabilities in the case of 343 depository banks and all liabilities in the case of FCDUs:

1. Foreign currency deposits of FCDUs with 343 depository banks; and
2. Foreign currency deposits of 343 depository banks of commercial banks with other 343 depository banks and FCDUs.

Please be guided accordingly.

(SGD.) CESAR J. LOMOTAN
Deputy Governor
Chairman, Offshore Banking Committee

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CIRCULAR LETTER NO. 18
November 19, 1979

**TO: ALL OFFSHORE BANKING UNITS (OBUs), CIRCULAR 343
DEPOSITORY BANKS AND FOREIGN CURRENCY
DEPOSITORY UNITS (FCDUs)**

Beginning January, 1980, and thereafter, all financial reports on CBP Forms 6-40.01/02 by OBUs and 6-40.03/04 by Circular 343 Units and FCDUs, shall be stated by each Unit at the book value of their respective balances in US currency. All balances in currencies other than US dollar will be reported in US dollar equivalents using the rate prevailing as of the last banking day of the reference month to be furnished by the Foreign Exchange Department.

All other reporting instructions on the aforesaid forms not

affected or modified by the provisions of this Circular Letter shall remain in full force and effect.

(SGD.) CESAR J. LOMOTAN
Deputy Governor

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CIRCULAR-LETTER
November 22, 1979

**TO: All Authorized Foreign Exchange Dealers of the
Central Bank and Other Persons & Firms
Earning/Acquiring Foreign Exchange**

It is hereby informed that Foreign Exchange Report Forms CBP 6-22-37 and CBP 6-22-41 being used by Authorized Foreign Exchange Dealers of the Central Bank and other persons/firms earning/acquiring foreign exchange pursuant to CB Circular No. 364 have been simplified and further revised to CBP 6-22-37 (Revised September, 1979) and CBP 6-22-41 (Revised September, 1979), respectively.

These revised forms shall be used by all concerned effective December 31, 1979. Sample copies of the same may be obtained from the Invisible Receipts Division, Foreign Exchange Department, Central Bank.

Please be guided accordingly.

(SGD.) CESAR J. LOMOTAN
Deputy Governor

MEMORANDA TO AUTHORIZED AGENT BANKS

BANGKO SENTRAL NG PILIPINAS
(Central Bank of the Philippines)
Maynila, Pilipinas

1382

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MEMORANDUM TO AUTHORIZED AGENT BANKS

(MAAB No. 6)

February 12, 1979

Effective immediately and pursuant to Monetary Board Resolution No. 261 dated February 2, 1979, Memorandum to Authorized Agent Banks dated December 13, 1978, requiring all applications for foreign exchange for travel to Hongkong to be referred to the Foreign Exchange Department of the Central Bank, is hereby revoked

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

(MAAB No. 8)

February 19, 1979

1383

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Effective immediately, the requirement to submit the traveller's latest income tax return or that of the person financing the trip in support of application to purchase foreign exchange for travel purposes is hereby waived, where the amount involved does not exceed US\$50.00 or the equivalent thereof in other foreign currencies.

(SGD.) CESAR J. LOMOTAN
Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

(MAAB No. 9)

March 12, 1979

1384

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Effective immediately and in line with the provisions of Letter

of Instruction No. 658-A dated June 3, 1978, all applications for the importation of "Cellophane" (SEP 584.22-01), either thru letters of credit, documents against acceptance or open account arrangements, or any other mode of payment shall be supported by a Certificate of Authority to Import the commodity involved to be issued by the Ministry of Industry.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 10) 1385
March 15, 1979 ^

[Memorandum to Authorized Agent Banks (MAAB) No. 1 (Series of 1976), as amended by MAAB No. 98 (Series of 1977),] is hereby revised to read as follows:

Pursuant to Letter of Instructions No. 343 of the President of the Republic of the Philippines dated December 4, 1975, the importation of the Britten-Norman Islander Aircraft, either as a completely built-up unit or in knocked-down form, shall not be allowed unless undertaken by the Philippine Aerospace Development Corporation (PADC) in line with its progressive manufacturing program for this aircraft.

Moreover, importation of unpressurized, multi-engine aircraft with certificated passenger capacity of between eight to eleven persons, specifically including the following aircraft:

Britten Norman Islander (BN2)
Beechcraft Queen Air (B80)
Cessna 401 (401)
Cessna 402 (402)
Dornier Sky servant (D028)
Piaggio P166 (DL2)
Piper Navajo (PA-31-310)
Piper Navajo Chieftain (PA-31-350)

shall not be allowed unless certified by the Philippine Aerospace Development Corporation as necessary and not in conflict with the progressive manufacturing program of the Philippine Aerospace Development Corporation.

Effective immediately, all applications for authority to import aircraft outside of the scope of the above definition shall be given due course by authorized agent banks, subject to strict compliance with pertinent import rules and regulations, particularly MAAB dated September 8, 1971.

Please be guided accordingly.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 11) 1386
March 21, 1979 1 ✓

Effective immediately, [Memorandum to Authorized Agent Banks No. 58 dated November 29, 1978 requiring authorized agent banks to submit to the Central Bank copies of certain documents evidencing shipments of imported goods from Japan, Singapore, Malaysia, Korea, India, Indonesia, Pakistan or any one of the member countries of the Organization for Economic Cooperation and Development (OECD)] in connection with the \$13.7 million Japanese Commodity Loan to the Philippine Government, is hereby revoked.

Please be guided accordingly.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 12) 1387
March 29, 1979 6 ✓

This is to announce [the opening of the Cash Unit in the Central Bank Sub-Regional Office at Tacloban City on March 29, 1979] which will perform the following functions:

1. To accept cash deposits to meet reserve requirements from branches of commercial banks, including the Philippine National

Bank, branches of savings and mortgage banks, development banks, rural banks and savings and loan associations operating within Region VIII — Eastern Visayas Region, thus terminating the present arrangement whereby the PNB Branch at Tacloban City accepts such deposits under the Cash-Held-in-Trust Account for the Central Bank.

2. To supply the currency requirements of the branches of commercial banks, including the Philippine National Bank, branches of savings and mortgage banks, development banks, rural banks and savings and loan associations operating within Region VIII — Eastern Visayas Region, using for the purpose Central Bank checks.

3. To replace mutilated currency unfit for circulation and currency for demonetization, upon presentation thereof, subject to the following rules and regulations:

- a. The Unit shall withdraw from circulation all notes and coins which for any reason whatsoever are unfit for circulation, and shall replace them by adequate notes and coins, except when such notes and coins fall under any of the following classifications:
 - 1) Notes and coins the identification of which is impossible;
 - 2) Coins which show signs of filing, clipping or perforation; and
 - 3) Notes which have lost more than two-fifths of their surface or all of the signatures inscribed thereon.
- b. Mutilated notes and coins whose exchange value cannot be readily determined shall be accepted by the Unit on a collection basis only and shall be forwarded to the Cash Department, Central Bank, Manila, where final determination of their exchange value will be made.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

(MAAB No. 15)

138

March 30, 1979

Effective immediately and in pursuance of Monetary Board Resolution No. 669 dated March 30, 1979, all applications for the

importation of "Hydrogen Peroxide" (SUP 523.91-00), either thru letters of credit, documents against acceptance or open account or any other mode of payment shall be supported by a Certificate of Authority to Import the commodity involved to be issued by the Ministry of Industry.

(SGD.) AMADO R. BRÍÑAS
Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 17) 1387
April 17, 1979

[In view of the extension of the April 16 deadline for the filing of 1978 income tax returns to April 30, 1979, per Revenue Memorandum Circular No. 21-79 issued by the Acting Commissioner of Internal Revenue, and to facilitate payments of the corresponding taxes, authorized agent banks are hereby required to stay open up to 6:00 P.M. from April 16 to 30 (Monday to Friday) and from 8:00 A.M. to 12:00 noon on Saturday (April 21 and 28).

Please be guided accordingly.

(SGD.) AMADO R. BRÍÑAS
Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 18)) 1390
April 18, 1979

Effective immediately, all authorized agent banks are hereby enjoined to observe the provision of Presidential Decree No. 1464 dated June 11, 1978, otherwise known as the Tariff and Customs Code of 1978, on matters of Consular Invoice requirements, per Section 1310 thereof, quoted hereunder to wit:

"SEC. 1310. Consular Invoice Required for Every Importation Over Ten Thousand Pesos in Dutiable Value. — All

importations of articles ten thousand pesos ₱10,000) in dutiable value shall be entered only upon the presentation of a consular invoice certified under penalties of falsification or perjury of the kind hereinabove described, or the filing of an affidavit by the owner, importer or consignee before the Collector showing why it is not possible to produce such invoice together with a bond, conditioned upon the production of such invoice within a reasonable time, in an amount prescribed by law, rules and regulations.

The following importations shall, however, be exempt from the consular invoice requirement mentioned in the preceeding paragraph:

- a. Conditionally-free importations provided under Sec. 105 of this Code;
- b. Tax-exempt importations;
- c. Importations of government agencies and instrumentalities; and
- d. Importations on consignment basis under R.A. 3137 and R.A. 6135 for re-export."

Any provision of existing circulars, memorandum and other regulations of the Central Bank in conflict with the foregoing is hereby deemed amended/modified accordingly.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

(MAAB No. 26)

1311

May 15, 1979

With [the accession of the Philippines to the International Cocoa Agreement of 1975, effective immediately all applications to import under any mode of payment and Reports of Foreign Sales covering exports of the following commodities:

<i>Commodity Description</i>	<i>Classification Code</i>
1. Cocoa beans for the manufacture of cocoa butter for export	EP 072.11-00
2. Cocoa beans for the manufacture of cocoa butter and other cocoa products	

- | | |
|---|---------------|
| for domestic consumption | SEP 072.12-00 |
| 3. Cocoa powder, including instant,
unsweetened | UC 072.20-00 |
| 4. Cocoa paste (in bulk or in block)
whether or not defatted | NEC 072.31-00 |
| 5. Cocoa butter (fat or oil) | NEC 072.32-00 |

shall be supported by a Certificate of Imports and Certificate of Exports, respectively, to be issued by the Ministry of Trade in the implementation of the Economic and Control Rule of the International Cocoa Organization.

All applications to import the UC/NEC items aforementioned shall continue to be referred to the Central Bank, through the Current Imports and Commodity Classification Office, for prior approval even with the covering Certificate of Imports required in this Memorandum.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

(MAAB No. 27)

May 23, 1979

Subject: IMPORTATIONS UNDER O/A and D/A ARRANGEMENTS

Effective immediately, MAAB No. 103 dated October 14, 1974 is hereby amended to read as follows:

- "4. In cases where the credit falls due even while the commodities imported are still stored in bonded warehouse, payments therefore may be allowed under the following conditions;
 - a. For commodities stored in private or public customs bonded warehouse, the Orders of Payment from the Bureau of Customs have been duly settled; or alternatively, an irrevocable domestic letter of credit opened for the amount of the taxes and duties due, has been issued in favor of the Bureau of Customs *in lieu* of a bond.

- b. For commodities stored in a customs bonded manufacturing warehouse — proof of storage therein is presented.
- c. For commodities stored in customs bonded warehouses which are exempted from taxes and duties — proof of storage and certification from the government agency concerned that the goods are tax exempt.

Further to pertinent MAAB No. 78 dated December 27, 1972, the prescribed form — Record of Goods Imported Under O/A and D/A Arrangement shall be accomplished, and a copy of the domestic letter of credit or proof of storage in customs bonded manufacturing warehouse or certification from the government agency concerned together with the proof of storage that the items stored are tax exempt shall be submitted, in lieu of the Release Certificate, to the Central Bank, thru the Management of External Debt and Investment Accounts Department, for purposes of registration and remittance of payments for such importations.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 28) 1343
June 20, 1979

Re: *Amendment to Annex "A" of MAAB No. 98
dated December 28, 1977*

For purposes of clarity, and in order to effectively monitor the importation of commodity items subject to requisite clearances/certificates of authority to import from the government agencies/committee concerned, Annex "A" of above-cited MAAB is hereby amended to conform with the new classification codes under the 1977 Philippine Standard Commodity Classification Manual, as follows:

<i>New PSCC Classification Code</i>	<i>Previous CB Classification Code</i>	<i>Commodity Description</i>
EP 713.21-01	EP 711-05.02	Diesel and semi-diesel engines for trucks

EP 713.21-02	EP 711-05.02	Diesel and semi-diesel engines for tractors
EP 713.22-05	EP 711-05.08	Gasoline and kerosene engines for trucks and buses
EP 713.22-06	N E W	Gasoline and kerosene engines for tractors
NEP 713.22-08	N E W	Gasoline and kerosene engines, n.e.s. (e.g., jeeps, vans, baby carriages)
EP 713.32-01	EP 711-05-19	Gasoline and kerosene engines, other than outboard.
EP 713.32-02	EP 711.05-01	Diesel and semi-diesel engines, other than outboard
EP 713.88-00	EP 711-05.19	Other internal combustion piston engines, n.e.s. (e.g., locomotives)
EP 781.21-00	EP 732-03.12	Ambulances
EP 781.22-00	EP 732-03.12	Hearses
EP 782.11-00	EP 732-03.15	Specially fabricated logging trucks
EP 782.12-00	EP 732-03.12	Dumpers (dump trucks)
UP 782.13-00	UP 732-03.09) UP 732-03.19)	Motor vehicles for the transport of goods or materials (including armored non-fighting vehicles), new <u>1/</u>
UP 782.14-00	UP 732-03.09) UP 732-03.19)	Motor vehicles for the transport of goods or materials (including armored non-fighting vehicles), used <u>1/</u>
EP 782.21-00	EP 732-03.12	Crane lorries <u>2/</u>
EP 782.22-00	EP 732-03.12	Motor pump vehicles, with a pump usually driven by the vehicle's engine (e.g., fire engines)
EP 782.23-00	EP 732-03.12	Mobile radiological units (e.g., fitted with an examination room, dark room and complete radiological equipment)

EP 782.24-00	EP 732-03.12	Lorries with built-in concrete mixers ^{3/}
EP 782.28-01	EP 732-03.13	Special purpose motor lorries, trucks and vans, n.e.s., unassembled
EP 782.28-02	EP 732-03.12	Special purpose motor lorries, trucks and vans, n.e.s., assembled ^{4/}
UP 783.11-00	UP 732-03.01	Buses and coaches, diesel or semi-diesel
UP 783.13-00	UP 732-03.09	Public-service type passenger motor vehicles, diesel or semi-diesel, n.e.s.
UP 783.14-00	UP 732-03.11	Buses and coaches, other than diesel or semi-diesel
UP 783.16-00	UP 732-03.19	Public-service type passenger motor vehicles, other than diesel or semi-diesel, n.e.s.
EP 783.20-00	EP 711-03.06	Road tractors for semitrailers ^{5/}
UP 784.11-00	UP 732-04.01	Passenger motor car chassis fitted with engines, diesel or semi-diesel
UP 784.12-00	UP 732-04.02	Passenger motor car chassis fitted with engines, other than diesel or semi-diesel
UP 784.13-00	UP 732-05.01	Motor vehicle chassis fitted with engines, for the transport of goods or materials and for special purposes, diesel or semi-diesel
UP 784.14-00	UP 732-05.02	Motor vehicle chassis fitted with engines, for the transport of goods or materials and for special purposes, other than diesel or semi-diesel
UP 784.18-00	N E W	Road motor vehicle chassis fitted with engines, n.e.s.

In the enforcement hereof, your attention is drawn to the

provisions of pertinent MAAB No. 26 dated March 30, 1977.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

-
- 1/ — Includes cargo trucks
 - 2/ — Includes truck-mounted cranes
 - 3/ — Also known as truck mixers/transit mixers
 - 4/ — Includes tank lorries and other special purpose trucks
 - 5/ — Includes truck tractor (also known as tractor head/
prime mover/trailer head)

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 30) ¹³⁹⁴
July 6, 1979 ¹²

SUBJECT: *Maximum Maturity of Trust Receipts
Arising from Importations* ¹

Pursuant to Monetary Board Resolution No. 1252 dated July 6, 1979, all trust receipts covering importations shall henceforth be granted for periods not exceeding ninety (90) days with no renewal or extension. All outstanding trust receipts covering importations shall not be renewed or extended.

This shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 34) ¹³⁹⁵
July 27, 1979 ¹

Effective immediately, [Memorandum to Authorized Agent Banks No. 18 dated April 18, 1979 informing all authorized agent banks of revisions in Section 1310 of the Tariff and Customs Code

of 1978⁷ is hereby suspended pursuant to Letter of Instructions No. 871 dated June 6, 1979 of President Ferdinand E. Marcos.

Accordingly, the old provisions of Section 1310 of the Revised Tariff and Customs Code, which are quoted below, shall, until further notice, be observed:

“Sec. 1310. Consular Invoice Required for Every Importation Over Three Thousand Pesos in Dutiable Value.—All importations of articles exceeding three thousand (P3,000.00) pesos in dutiable value shall, except conditionally-free importations provided for under Section One hundred and five of this Code, be entered only upon the presentation of a consular invoice certified under penalties of falsification or perjury of the kind hereinabove described, or the filing of an affidavit by the owner, importer or consignee before the Collector, showing why it is not possible to produce such invoice within a reasonable time, in an amount prescribed by law, rules or regulations. (As amended by Presidential Decree No. 34)”

It is, therefore, understood that the Consular Invoice shall continue to be required for all importations over Three Thousand Pesos (P3,000.00) in dutiable value.

Any provisions of existing Circulars, Memorandum and other regulations of the Central Bank shall be modified/revised accordingly.

The above shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 35) 1316
July 27, 1979

[Pursuant to M.B. Resolution No. 1381 dated July 27, 1979, only Treasury Bonds and Notes issued by the National Government, with interest rates not exceeding 4.0% per annum, shall be eligible for required reserves against marginal deposits on all import letters of credit. However, 4.7% and 6% Treasury Bonds may continue to be held for such reserves; provided, that such bonds shall not be reissued after they shall have been presented to, and repurchased by the Central Bank.

This memorandum shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 36) 1377
August 3, 1979

Effective immediately, all applications for the importation of aircraft equipped with reciprocating or piston driven engines and other similar aircraft fueled with aviation fuel (AVGAS) may only be given due course by agent banks, subject to the presentation of requisite clearance from the Emergency Petroleum Operations Board (EPOB) Sub-committee on AVGAS Fuel Allocation (PNOC Bldg., 7901 Makati Avenue, Metro Manila), and to other pertinent existing import rules and regulations.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 38) 1298
August 13, 1979

As requested by the Acting Commissioner of Customs, in his letter dated August 3, 1979, and in conjunction with Executive Order No. 2 and LOI No. 497, all authorized agent banks are requested to accept payments for customs duties, taxes and other levies upon presentation of an order of payment issued by the Order of Payment Unit, Bureau of Customs, Manila International Airport.

For purposes of accounting, authorized agent banks are further requested to prepare a separate abstract of collections for such payments. All other procedures covering collections and remittances specified under CB Circular 217, as amended, shall remain unchanged.

This takes effect immediately.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 40) 139M
August 14, 1979

SUBJECT: *Trust Receipts Covering Importations*

Pursuant to Monetary Board Resolution No. 1460 dated August 10, 1979, the following amendments to Memorandum to Authorized Agent Banks No. 30 dated July 6, 1979 are hereby issued to govern trust receipts (TRs) arising from importations:

1. Trust receipts granted on or after July 9, 1979 shall have a maximum maturity period of 90 days. However, importations of raw materials and supplies by manufacturers/producers may be allowed an extension period of a maximum of 90 days.

2. Outstanding current trust receipts as of July 6, 1979 covering importations of raw materials and supplies by manufacturers/producers, the current maturity of which is less than 180 days, may be granted an extension provided the current maturity together with the extension period shall not exceed a total of 180 days; or if the current maturity is already over 150 days from the booking of the trust receipts, such TRs may be granted only a final extension of a maximum 30 days.

3. In case of usance letters of credit calling for drafts at 180 days or more after applicable reference date (sight, date of draft, bill of lading or invoice, etc.), the importer shall be required to pay the draft on maturity date. The banks shall not allow trust receipt financing in such cases.

However, if the usance period is less than 180 days, the banks may allow trust receipt financing provided the usance period together with the term of the trust receipt shall not exceed a total of 180 days.

4. In cases of importations under documents against acceptance (D/A), banks shall not grant trust receipts financing if the term of the draft is 180 days or more from applicable reference date (sight, date of draft, bill of lading, invoice, etc.). Where the term of the draft is less than 180 days, the banks may allow trust receipt financing provided the usance period together with the term of the trust receipt shall not exceed a total of 180 days.

5. The transfer of matured trust receipts from one bank to another shall be prohibited.

The provisions of Memorandum to Authorized Agent Banks No. 30 dated July 6, 1979 not amended by the above amendments

shall remain in force and effect.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 44)
October 19, 1979

Pursuant to the provisions of Administrative Order No. 33-A, Series of 1975 (amending Administrative Order No. 33, Series of 1975) of the Bureau of Animal Industry and to prevent the entry of dangerous communicable animal disease into the country, effective immediately, all applications for the importation of animal, animal effects, animal products, meat and meat products per attached list, either thru letters of credit, document against acceptances or open account arrangement or no-dollar basis, *from any country* shall be supported by a Veterinary Quarantine Clearance to be issued by the said Bureau.

Excluded from the clearance requirement aforementioned are importations of corned beef products produced by canning plants duly accredited by the US D.A. at the time of shipment.

This amends/modifies the provisions insofar as the 1st Paragraph of our Memorandum to Authorized Agent Banks No. 40 dated July 7, 1975 is concerned.

(SGD.) G. S. LICAROS
Governor

Enclosed: as Stated

SECTION 0. FOOD AND LIVE ANIMALS CHIEFLY FOR FOOD

<i>Classification Code</i>	<i>Commodity Description</i>
EP 001.11-00	Bovine animals, pure bred, for breeding and scientific purposes
EP 001.19-00	Bovine animals, live, other than pure bred for

breeding and scientific purposes

EP 001.21-01	Sheep, live, for breeding and scientific purposes
UP 001.21-09	Sheep, live, other than for breeding and scientific purposes
EP 001.22-01	Goats, live, for breeding and scientific purposes
UP 001.22-09	Goats, live, other than for breeding and scientific purposes
EP 001.31-00	Swine, live, for breeding and scientific purposes
UP 001.39-00	Swine, live, other than for breeding and scientific purposes
EP 001.41-01	Chickens, live, not exceeding 185 g, for breeding
EP 001.41-02	Ducks and geese, live, not exceeding 185 g, for breeding
EP 001.41-03	Turkeys, live, not exceeding 185 g, for breeding
UP 001.41-09	Other live poultry of a weight not exceeding 185 g, n.e.s.
EP 001.49-01	Chickens, live, of a weight exceeding 185 g, for breeding
UP 001.49-02	Chickens, live, of a weight exceeding 185 g, other than for breeding
EP 001.49-03	Ducks and geese, live, of a weight exceeding 185 g, for breeding
UP 001.49-04	Ducks and geese, live, of a weight exceeding 185 g, other than for breeding
EP 001.49-05	Turkeys, live, of a weight exceeding 185 g, for breeding
UP 001.49-06	Turkeys, live, of a weight exceeding 185 g, other than for breeding
EP 001.49-07	Cocks or any male chicken belonging to any of the breeds commonly known and recognized to be used principally for breeding purposes, as certified by the Department of

Agriculture thru the Bureau of Animal Industry

NEC 001.49-08	Game cocks or any male chicken belonging to any of the breeds commonly known and recognized to be used principally for cock-fighting, as certified by the Department of Agriculture thru the Bureau of Animal Industry
UP 001.49-09	Poultry, live, of a weight exceeding 185 g, n.e.s.
EP 001.51-00	Horses, live
EP 001.59-00	Other equine animals (asses, mules and hinnies), live
UP 001.91-00	Rabbits (tame or wild), live
UP 001.92-00	Guinea pigs, live
UP 001.93-00	Doves, pigeons and quails (tame or wild), wild ducks, wild geese, and other birds not specified in subgroups 001.4 and 941.0, live
UP 001.99-00	Other live animals chiefly for food, n.e.s. (e.g., frogs)

DIVISION O1 — MEAT AND MEAT PREPARATIONS

EP 011.11-00	Meat of bovine animals, fresh, chilled or frozen, with bone in
EP 011.12-00	Meat of bovine animals, fresh, chilled or frozen, boneless
SEP 011.20-00	Meat of sheep and goats, fresh, chilled or frozen
SUP 011.30-00	Meat of swine, fresh, chilled or frozen
UP 011.41-00	Chickens, killed or dressed, fresh, chilled or frozen
UP 011.42-00	Ducks and geese, killed or dressed, fresh, chilled or frozen
UP 011.43-00	Turkeys, killed or dressed, fresh, chilled, or frozen
UP 011.44-00	Poultry offals other than liver, fresh, chilled or frozen

SUP 011.50-00	Meat of horses, asses; mules and hinnies, fresh, chilled or frozen
SUP 011.60-00	Edible offals of the animals falling in sub-groups 001.1, 001.2, 001.3 and 001.5, fresh, chilled or frozen
SUP 011.81-00	Poultry liver, fresh, chilled or frozen salted or in brine
UP 011.89-01	Pigeons, killed or dressed, fresh, chilled or frozen
UP 011.89-02	Poultry meat, n.e.s., fresh, chilled or frozen
SUP 011.89-03	Meat, fresh, chilled or frozen, n.e.s.
SUP 011.89-04	Edible offals, n.e.s.
UC 012.11-00	Bacon
UC 012.12-00	Ham and shoulders, dried, salted or smoked
UC 012.13-00	Pork, salted
UC 012.19-00	Other dried, salted or smoked meat of swine
UC 012.91-00	Beef and veal, salted, in brine, dried or smoked
UC 012.92-01	Chicken meat, salted, in brine, dried or smoked, not in airtight containers
UC 012.92-02	Duck meat and goose meat, salted, in brine, dried or smoked, not in airtight containers
UC 012.92-03	Turkey meat, salted, in brine, dried or smoked, not airtight containers
UC 012.99-01	Meat meal and meat flour, fit for human consumption
UC 012.99-02	Edible offals of poultry other than liver, salted, in brine, dried or smoked
UC 012.99-03	Poultry liver, salted, in brine, dried or smoked
UC 012.99-04	Edible offals of swine, salted, in brine, dried or smoked
UC 012.99-09	Other meat and edible meat offals, salted, in brine, dried or smoked, n.e.s.
UC 014.11-01	Meat extracts (in solid or liquid form)

NEC 014.11-02	Meat juices
UC 014.21-00	Sausages of all kinds, not in airtight containers
UC 014.22-00	Sausages of all kinds, in airtight containers
UC 014.91-01	Bacon, in airtight containers
UC 014.91-02	Ham, in airtight containers
UC 014.91-03	Pork, in airtight containers
UC 014.91-04	Pork luncheon meat, in airtight containers
UC 014.91-05	Beef, in airtight containers
EC 014.91-06	Corned beef, in airtight containers
EC 014.91-07	Corned beef loaf, chopped beef, minced beef loaf and beef luncheon meat, in airtight containers
UC 014.91-09	Meat and meat preparations, in airtight containers, n.e.s.
UC 014.92-01	Chicken meat, in airtight containers
UC 014.92-02	Duck meat and goose meat, in airtight containers
UC 014.92-03	Turkey meat, in airtight containers
UC 014.92-09	Other poultry meat, in airtight containers, n.e.s.
UC 014.93-00	Meat pastes and spreads
UC 014.99-00	Other prepared or preserved meat and edible offals, n.e.s.

**941.0 ANIMALS, LIVE, N.E.S. (INCLUDING
ZOO ANIMALS, DOGS, CATS, INSECTS, ETC.)**

EP 941.00-01	Dogs
EP 941.00-02	Animals for zoos and menageries (e.g., marine mammals, lions, tigers, monkeys, reptiles, reindeer)
EP 941.00-03	Live birds (e.g., peacocks, swans)
EP 941.00-09	Live animals, n.e.s. (e.g., bees, silkworms, tortoises, turtles, leeches)

MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 46) 1401
November 8, 1979 ^

In line with the provisions of Letter of Instructions No. 943 dated October 17, 1979, effective immediately, all importations under any mode of payment, of aircraft, engines, equipment, machinery, spare parts, aviation gas, fuel and oil, whether crude or refined, and such other articles or supplies, *by the Philippine Air Force for its use* shall be exempted from the release certificate requirement of the Central Bank.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 47) 1402 ^
November 12, 1979

For the information and guidance of authorized agent banks, there is quoted below an undated letter of Deputy Minister Teodoro Q. Peña, which is self-explanatory:

"The Governor
Central Bank of the Philippines
Roxas Boulevard, Metro Manila

"Sir:

"Please be advised that the following officers of the Mactan Export Processing Zone Authority have been authorized by us to act as signatories to the EPZA Import Permit (EPZA Form No. 8101), and the EPZA Export Permit (CBP Form 6-21-19, (8103):

- "1. Mr. Rogelio Balajadia
Officer-in-Charge
- "2. Mr. Ali Timbang
Trade Control Examiner I

"This authorization is valid only for import and export permits emanating from the Mactan Export Processing Zone and does not apply to other Zones. We would appreciate the

early dissemination of this arrangement to agent banks.

"Thank you very much.

"Very truly yours,

"(SGD) TEODORO Q. PEÑA
Deputy Minister

Please be guided accordingly.

(SGD.) AMADO R. BRIÑAS
Senior Deputy Governor

o O o

MEMORANDUM TO AUTHORIZED AGENT BANKS

(MAAB No. 49)

November 29, 1979

1463

Effective immediately, the required Certificate of Imports from the Ministry of Trade to cover all importation of cocoa and allied products per our Memorandum to Authorized Agent Banks No. 26 dated May 15, 1979, in implementation of the Economic and Control Rule of the International Cocoa Organization, shall no longer be required for presentation prior to L/C opening or importation of the products concerned. The Certificate of Imports shall, however, be required for presentation to the agent banks prior to release of the documents/shipments thereof.

Agent banks are further instructed to return all copies (except the pink copy) of the Certificate of Imports to the importer concerned after the submission of the same in compliance with the foregoing requirement.

The aforementioned MAAB is hereby deemed amended insofar as the requirement of Certificate of Imports is concerned.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS
(MAAB No. 51)
December 28, 1979

1404

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Pursuant to the provisions of Letter of Instructions No. 964 dated November 28, 1979, all authorized agent banks are hereby advised that effective immediately, all applications for the importation of "Vinyl-Asbestos Tiles" (SUP 893.91-01) under letters of credit, documents against acceptance or open account arrangement or any mode of payment may be given due course only upon certification of the Board of Investments (BOI) of the inability of BOI-registered domestic enterprises to supply the demand for the product concerned.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

OTHER REGULATIONS

BANGKO SENTRAL NG PILIPINAS
(Central Bank of the Philippines)
Maynila, Pilipinas

MEMORANDUM CIRCULAR TO ALL RURAL BANKS AND PNB BRANCHES IN CENTRAL LUZON

January 8, 1979

1405

Subject: *Amendments to Memorandum Circular to All Rural Banks and PNB Branches in Central Luzon, dated November 22, 1978, prescribing the guidelines for the availment of special funds under the rehabilitation program for rice producing areas in Central Luzon*

Pursuant to Resolution No. 2083, dated December 15, 1978, the Monetary Board amended Sections 1, 2-b, 8-b, 8-d and 9 of Memorandum Circular to All Rural Banks and PNB Branches in Central Luzon dated November 22, 1978, prescribing the guidelines (approved under Resolution No. 1909 dated November 17, 1978) for availment of special funds under the rehabilitation program for rice-producing areas in Central Luzon, so as to read as follows:

- "1. Application for Special Fund in the prescribed form shall be submitted by a rural bank or PNB branch qualified to participate as an agent of the Central Bank not later than December 31, 1978. A rural bank or PNB Branch to be qualified to participate shall submit a sworn written undertaking that it will restructure Phase XI loans of farmers affected by typhoons "Yaning," "Weling" and "Kading" over a period of two and one-half (2 1/2) years for irrigated areas and three (3) years for rainfed areas."
- "2.b. He must be included in the list of farmers to be submitted by the National Irrigation Administration (NIA), Farm Systems Development Corporation (FSDC) and/or the Ministry of Agriculture indicating that farmlands being cultivated by them are serviced by NIA or are otherwise adequately irrigated and ready for immediate replanting."
- "8.b. The rural bank or PNB branch shall submit to the DRB-SLA, Central Bank, its application for availment of Special Funds covering the list of recommended applications of farmer-borrowers. Only applications of farmers whose

names are included in the list furnished by the Ministry of Agriculture shall be considered for a loan."

"8.d. The rural bank shall withdraw funds from the PNB branch and shall release loans to farmer-borrowers in accordance with this and existing M-99 guidelines. Such loan releases shall be made immediately from the date of receipt of the credit advice."

"9. Any amount received by the rural bank or PNB branch from the Central Bank as Administrator of the Special Fund not loaned out or otherwise committed to qualified farmers shall be remitted to the DRBSLA, Central Bank, within thirty (30) days from receipt of the credit advice but in no case shall the remittance be made later than January 31, 1979."

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO ALL BANKS AND ALL NON-BANK
FINANCIAL INTERMEDIARIES PERFORMING
QUASI-BANKING FUNCTIONS

January 16, 1979

1976

Please be advised that the effectivity date of the Memorandum dated 29 December 1978 re the basis for the use of 360/365 days in a year in the computation of interest on deposits/loans and yields on deposit substitutes is postponed to 1 April 1979.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO NON-BANK FINANCIAL INTERMEDIARIES
WITH QUASI-BANKING FUNCTIONS

January 23, 1979

1977

In its Resolution No. 11 dated January 5, 1979, the Monetary

Board issued the following clarification:

Certificates of assignment issued with recourse by non-bank financial intermediaries with quasi-banking functions (NBFIs-QBF) under the IGLF Program are not covered by the reserve requirements in Circular No. 553 and the minimum trading lot rule in Circular No. 387, as amended, the relationship established between the Central Bank and the institutions being that of principal and agent.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO ALL BANKS, NON-STOCK SAVINGS
AND LOAN ASSOCIATIONS, BUILDING AND
LOAN ASSOCIATIONS
25 January 1979

1408
✓

Subject: *Report on Crimes/Losses*

Effective immediately, all banks, non-stock savings and loan associations, and building and loan associations shall report on the following matters to the Central Bank through the appropriate supervising and examining department:

1. Crimes whether consummated, frustrated or attempted against property/facilities (such as robbery, theft, swindling or estafa, forgery, and other deceits) and other crimes involving loss/destruction of their property when the amount involved in each crime is —

- | | | |
|---|---|-----------------|
| a) Commercial banks, including specialized government banks | — | ₱20,000 or more |
| b) Savings banks | — | 4,000 or more |
| c) Private development banks | — | 2,000 or more |
| d) Stock savings and loan associations | — | 2,000 or more |
| e) Non-stock savings and loan associations, rural banks, | — | 1,000 or more |

and building and loan
associations

Crimes involving bank personnel, even if the amount involved is less than those above specified, shall likewise be reported to the Central Bank whenever the bank initiates judicial or extrajudicial action, or imposes sanctions against such bank personnel.

2. Incidents involving material loss, destruction or damage to the institution's property/facilities, other than that arising from a crime, when the amount involved per incident is —

- | | | |
|--|---|-----------------|
| a. Commercial banks, including specialized government banks | — | P100,00 or more |
| b) Savings banks | — | 20,000 or more |
| c) Private development banks | — | 10,000 or more |
| d) Stock savings and loan associations | — | 10,000 or more |
| e) Rural banks, non-stock savings and loan associations and building and loan associations | — | 5,000 or more |

3. The following guidelines shall be observed in the preparation and submission of the report:

a) The report shall be submitted within forty-eight (48) hours from knowledge of the crime or incident with the details contained in the format in Circular Letter to All Banks, Non-Stock Savings and Loan Associations and Building and Loan Associations dated March 10, 1978: *Provided*, That in the cases mentioned in the second paragraph of Item I, the report shall be submitted within forty-eight (48) hours from initiation of judicial or extrajudicial action or from the imposition of sanctions against such bank personnel;

b) Where a thorough investigation and evaluation of facts is necessary to complete the report, an initial report submitted within the 48-hour deadline may be accepted: *Provided*, That a complete report is submitted not later than fifteen (15) days from termination of investigation;

c) Proof of submission of the report within the 48-hour deadline shall be determined by the date of postmark, if the report was sent by mail, or by the date received, if hand-carried to the appropriate supervising and examining department, Manila, or, in

applicable cases, to the unit of the supervising and examining department in any of the Regional Offices of the Central Bank.

4. Violations of this Memorandum shall be punishable under Section 34-A of Republic Act No. 265 and Section 29 of Republic Act No. 3779, both Acts as amended.

This Memorandum supersedes Circular Letter dated November 10, 1977.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO ALL BANKS, CITY, PROVINCIAL
AND MUNICIPAL TREASURERS, CLERKS OF COURT
AND LAW ENFORCEMENT AGENCIES
February 19, 1979

SUBJECT: *EXCHANGE OR REPLACEMENT OF
PHILIPPINE TREASURY COINS (1-Peso, 50-,
20-, 10-, 5-, 1-, and 1/2-Centavo denominations)*

Pursuant to the provisions of Central Bank Circular No. 450, Series of 1975, the following guidelines for the exchange or replacement of Philippine treasury coins are hereby prescribed:

1. The Treasury coins which have not been surrendered for replacement with legal tender currency on or before March 31, 1976 are no longer legal tender but may be exchanged at par and without charge in the Central Bank and in all commercial banks, savings and mortgage banks, private development banks, stock savings and loan associations and rural banks up to March 31, 1979.

2. Provincial, City and Municipal Treasurers are also authorized to exchange the aforementioned treasury coins up to March 31, 1979. They shall deposit or exchange said coins in their possession with the PNB or any of its branches and agencies, or in any other authorized agent bank not later than the following business day after March 31, 1979.

3. After March 31, 1979, all such treasury coins which have not been surrendered for exchange with legal tender currency as herein required shall cease to be a liability of the Central Bank and shall be considered demonetized.

4. All agent banks, including their branches and agencies,

Provincial, City and Municipal Treasurers, Clerks of Court and Law Enforcement Agencies shall make a list or inventory by denominations of all the treasury coins in their possession as of March 31, 1979 and shall advise the Cash Department, Central Bank by telegram the following business day giving the total amount in words and figures. Exchange/replacement of these coins shall be based on the reported amount to the Central Bank.

5. Clerks of Court and Law Enforcement Agencies may continue to keep in their custody/possession the treasury coins for evidentiary purposes, provided that they advise the Cash Department, Central Bank of such holdings as required under paragraph 4 hereof.

6. The abovementioned authorized agent banks and offices concerned shall ship to the Cash Department, Central Bank of the Philippines, Manila, or to any Central Bank Regional Office (in case of provincial banks/branches/agencies and offices concerned) the treasury coins appearing in the aforesaid list or inventory for replacement not later than April 15, 1979.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO ALL BANKS

February 21, 1979

1410

Pursuant to Section 8 of Circular No. 643, the following guidelines shall be observed:

1. The submission of the bio-data of incumbent directors and officers as of December 31, 1978 within twenty-five (25) banking days from year-end, as required under Memorandum to All Banks dated November 15, 1978, as amended by Memorandum to All Banks dated December 8, 1978, shall be considered compliance with the requirement under Section 8 of Circular No. 643 as regards such incumbent directors and officers.

2. In the case of directors and officers elected or appointed after December 31, 1978 and whose bio-data have not been submitted pursuant to Memorandum dated November 15, 1978, as amended, and Section 8 of Circular No. 643, the deadline for submission shall be within seven (7) banking days after election or appointment.

In case of transfers to other banks, the director or officer need only update the pertinent sections in the pages of the report. Submission shall be within seven (7) banking days from election or appointment.

3. A report on changes in the composition of the board of directors or officers shall be submitted within seven (7) banking days after such change.

4. For purposes of showing compliance with the minimum qualification requirements in case of promotion, only the updated data need be reflected in the section and page affected. The page shall be submitted within seven (7) banking days after promotion.

5. The bio-data shall be submitted only once. Thereafter, in the annual updating, only the pertinent sections and pages in the report form shall be submitted within twenty-five (25) banking days after the end of every calendar year.

Please be guided accordingly.

(SGD) CARLOTA P. VALENZUELA
Deputy Governor

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MEMORANDUM CIRCULAR TO ALL BANKS
April 11, 1979 14/1

For your information and guidance, we are attaching herewith a copy of Presidential Proclamation No. 1837 dated March 30, 1979, declaring April 24 to 30, 1979 and every year thereafter as "Credit Consciousness Week".

Credit Consciousness Week will coincide with the anniversary of the National Commission on Countryside Credit and Collection which was constituted under Executive Order No 465, dated April 28, 1976, whose primary responsibility is the formulation of policies, measures and programs to foster credit consciousness in the rural areas and the development of better paying habits and attitudes among beneficiaries and intermediaries of credit.

In order to inculcate in the minds of the citizenry the importance of the proper and responsible use of credit and thus contribute in accelerating countryside development and growth, all banking institutions, including all their respective head and regional offices and branches, are hereby advised to undertake an effective, sustained and coordinated promotional and informational effort that will reach and

involve all sectors of society and all levels of the government, including but not limited to the holding of an appropriate program or symposium on the value of credit during the Credit Consciousness Week.

It is likewise important that all banking institutions use in all their letters and correspondence the slogan: "And Utang Dapat Bayaran Nang Tayo'y Pagkatiwalaan" or "Biyaya ay Nakamtan, Isauli ang Hiniram" as part of the observance of Credit Consciousness Week.

(SGD) G. S. LICAROS
Governor

Attachment not reproduced

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MEMORANDUM TO ALL BANKS
April 19, 1979 1412

In connection with MAB dated July 28, 1975, the last phrase of item 2. "Computation of Loanable Funds" is hereby amended as follows:

"x x x, excluding reserves for marginal deposits; provisions for liquidity (15% of total deposits and demand liabilities); and loans to small and medium scale industries for export."

The affected portion of the reporting form therefore under CBP 7-16-27 "Consolidated Report of the Utilization of Loanable Funds Generated Which were Set Aside for Agrarian Reform Credit/Agricultural Credit" shall correspondingly be revised as follows:

	Amount on Date of Report	Amount on 5.31.75	Increase (Decrease)
"x x x x			
10. Provision for Liquidity (15% of Total Deposits and Demand Liabilities 8/	xxx	xxx	xxx
11. Loans to export-oriented small scale/cottage industries involving accounts not exceeding P1 M	xxx	—	xxx
Total Deductions	P xxx	P xxx	P xxx
Net Total	P xxx	P xxx	

Total Loanable Funds Generated

P xxx "

This memorandum shall take effect for the month of April 1979.

Please be guided accordingly.

(SGD) G. S. LICAROS
Governor

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MEMORANDUM TO ALL STOCK SAVINGS AND LOAN
ASSOCIATIONS

May 28, 1979

1413

SUBJECT: *Amendments to the Guidelines on
Increased Capitalization of Stock
Savings and Loan Associations*

The Monetary Board in its Resolution No. 913 dated May 11, 1979, approved the following amendments to Memorandum Circular to All Stock Savings and Loan Associations No. 77-14 dated 31 January 1977:

1. Item No. 1 is hereby amended to read as follows:

"1. The minimum paid-in capital for existing and new stock SLAs shall be as follows:

P4 million — within Greater Manila Area and fringes and First Class A cities

3 million — within First Class B and C, Second and Third Class cities

2 million — within Fourth and Fifth Class cities and in other places."

For purposes of the foregoing classification, Sections 1 and 3 of Presidential Decree No. 465 shall apply.

2. Item 2 is hereby amended to read as follows:

"2. Stock SLAs located in Second and Third Class cities which do not meet the above prescribed minimum ca-

pital requirements shall submit by 30 September 1979 a realistic capital build-up program under which they would achieve the required paid-in capital by 31 December 1981."

(SGD) G. S. LICAROS
Governor

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MEMORANDUM TO ALL BANKS AND ALL NON-BANK
FINANCIAL INTERMEDIARIES PERFORMING
QUASI-BANKING FUNCTIONS
May 28, 1979 1414

The Monetary Board, in its Resolution No. 981 dated May 25, 1979, further clarified that funds borrowed by banks or non-bank financial intermediaries performing quasi-banking functions from trust departments of banks or investments houses in the latter's capacity as fund managers are not considered as Interbank Borrowings and, therefore, are subject to:

- a. 20% reserve requirement on deposit substitutes under Circulars No. 552 and 553, as amended;
- b. Minimum 15-day maturity period under Circular No. 495;
- c. Minimum trading lot rule under Circular No. 617; and
- d. 35% transaction tax.

(SGD) G. S. LICAROS
Governor

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MEMORANDUM TO ALL BANKS
July 18, 1979 1415

Effective immediately, and pursuant to Monetary Board Resolution No. 1140 dated June 22, 1979 amending M.B. Resolution No. 61 dated January 5, 1979, the following revised guidelines shall be observed by all domestic banks governing the submission of periodic reports by their foreign subsidiary/affiliate or non-bank entities:

a) For foreign subsidiary firms wholly or majority-owned by domestic banks, the local investor bank(s) concerned shall regularly submit to the appropriate supervising and examining department of the Central Bank a quarterly statement of condition and semestral report of income and expenses concerning the operations of the foreign subsidiaries, including such other periodic reports which may be required from time to time in the forms prescribed by the Central Bank for domestic financial intermediaries to the extent that their operations are applicable;

b) For foreign affiliates which are minority-owned by domestic banks, the appropriate supervising and examining department shall be furnished by said domestic banks copies of the annual report prescribed by any of the regulatory authorities in the country of operations, such as the Securities and Exchange Commission, the Federal Deposit Insurance Corporation, the Comptroller of the Currency and other agencies performing similar functions; and

c) When material changes noted in the annual financial statements warrant an interim comprehensive evaluation, the foreign affiliate concerned shall be requested to submit to the appropriate supervising and examining department thru its domestic investor bank copies of its quarterly/interim reports to stockholders or the call reports in the case of U.S. banks.

It is understood that the conditions on the submission of periodic reports previously set by the Monetary Board on the approval of equity investments abroad for domestic banks shall be deemed amended accordingly.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO ALL COMMERCIAL BANKS

July 25, 1979 1416

SUBJECT: *REPORT OF MARGINAL DEPOSITS ON IMPORT
LETTERS OF CREDIT AND RESERVES
AGAINST THEM*

Effective with the report for the week ending August 3, 1979, the Consolidated Report of Marginal Deposits on Import Letters

of Credit and Reserves Against Them shall be accomplished and submitted in accordance with the revised CBP 7-16-14, sample copy attached.

The form has been revised to reflect the requirements of Circular 683, dated July 6, 1979, which raises the required reserves on marginal deposits for import letters of credit opened after July 8, 1979.

Commercial banks adopting the reporting of capital and reserve positions on the Consolidated Daily Report of Condition shall no longer accomplish subject form.

(SGD.) G. S. LICAROS
Governor

(Attachment not reproduced)

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MEMORANDUM CIRCULAR TO ALL RURAL BANKS

July 27, 1979

1417

Pursuant to Monetary Board Resolution No. 1382 dated July 27, 1979, paragraph (a) of Section 139 of the Rules and Regulations Governing Rural Banks, as amended by M.B. Resolution No. 1412, dated July 5, 1974, is hereby further amended to read as follows:

"That the proceeds of the loan shall be used exclusively to meet the normal credit requirements of the rural community where the rural bank is situated for agricultural, commercial and industrial purposes, as defined by Sections 5 and 6 of the Rural Banks Act and to provide funds to meet obligations, EXCEPT REDISCOUNTING OBLIGATIONS, incurred incident to the rural bank's lending operations."

consistent with which rural banks shall no longer be allowed to utilize, effective August 15, 1979, the proceeds of their loan applications in payment of their matured/maturing rediscounting obligations.

All Circulars and Memorandum Circulars and/or instructions

inconsistent herewith shall be deemed revoked and/or modified accordingly.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO ALL BANKS

August 3, 1979

1418

You are hereby advised that fines for violations of Memorandum to All Banks dated 15 November 1976, on temporary overdrawings (TODs), shall be immediately debited by the Accounting Department of the Central Bank against the deposit account of the banks concerned upon receipt of notice from the appropriate supervising and examining department.

Outstanding bills as of the date of this Memorandum shall be immediately debited against the bank's account with the Central Bank.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO ALL THRIFT BANKS

August 17, 1979

1419

For the information/guidance of all thrift banks, the guidelines, mechanics and forms concerning interbank loan transactions contained in Memorandum to All Commercial Banks dated 25 January 1978 (copy attached) are hereby made applicable to thrift banks which are allowed to participate in the Central Bank clearing facilities.

(SGD.) G. S. LICAROS
Governor

Attachments

MEMORANDUM TO ALL COMMERCIAL BANKS
January 25, 1978 1470

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 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 4¾" x 8½" 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 the 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 of 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

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MEMORANDUM CIRCULAR TO ALL RURAL BANKS
IN CENTRAL LUZON AND PANGASINAN

August 20, 1979

1421

SUBJECT: *Guidelines for Participation by Rural Banks
in Phase III of the Financing Program for
Central Luzon and Pangasinan under the Special
Agricultural Rehabilitation Fund*

The following guidelines are hereby issued on the participation of rural banks in rice producing areas in Central Luzon and Pangasinan in Phase III of the Financing Program under the Special Agricultural Rehabilitation Fund (SARF):

1. A rural bank qualified to participate under SARF III may avail of the special fund as agent of the Central Bank by filing an application in the prescribed form with the Department of Rural Banks and Savings and Loan Associations not later than September 15, 1979.
2. Only rural banks which are not eligible for Central Bank financial assistance in the form of Special Time Deposits and rediscounting and which have fully remitted to the Central Bank unutilized proceeds from the special fund and/or all loan repayments of their farmer-borrowers under SARF I shall be allowed to participate under this program.
3. In order to be eligible for financing under the program, the farmer-borrower shall meet the following requirements:
 - a. The farmer-borrower must be included in the list submitted by the PPO or other authorized representative of the Ministry of Agriculture and must be certified by the National Irrigation Authority (NIA), Farm

Systems Development Corporation (FSDC) or by an authorized representative of the NIA that the riceland he is cultivating is serviced by the NIA or otherwise adequately irrigated. A certification to this effect by the President/Manager of the applicant rural bank shall likewise be appended to the list.

- b. He must have fully paid his SARF I loan as certified to by the President/Manager of the rural bank and verified by the CB Examiner/Agricultural Credit Examiner assigned in the area.
4. The maximum amount of loan that may be granted under this program shall not exceed ₱1,200 per hectare. The proceeds of the loan shall be used exclusively to finance the replanting of irrigated rice lands.
5. Loans granted under the program shall be for a period not exceeding 180 days at an interest rate of 10% per annum plus a service charge of 2% per annum. The service charge of 2% p.a. shall be deducted from every loan release. Farmer-borrowers under the program shall execute a promissory note in triplicate copies in favor of the Central Bank of the Philippines as an Administrator of the Special Fund, the original of which shall be submitted to the Department of Rural Banks and Savings and Loan Associations.
6. The rural bank as agent of the Central Bank shall receive a commission of 3% on the amount collected for the fund in addition to the service charge of 2% per annum.
7. The rural bank shall assume/absorb for its own account 15% of losses arising from non-payment of loans granted under this program.
8. In implementing the program, the following procedures shall be observed:
 - a. The qualified farmer-borrower shall file his loan application with the participating rural bank.
 - b. The rural bank shall submit to DRBSLA, Central Bank, its application for availment of special fund covering the applications of eligible farmer-borrowers.
 - c. The DRBSLA, Central Bank shall process the application and shall release to the rural bank through credit advice to the nearest PNB branch the amount approved from the special fund.

- d. The rural bank shall withdraw funds from the PNB branch and shall release loans to farmer-borrowers in accordance with this and existing M-99 guidelines, i.e., loans to farmer-borrowers shall be released in staggered amounts in accordance with the farm plan and budget jointly prepared by the farmer and the authorized technician. Every loan shall be covered by a separate promissory note and only one ledger card shall be maintained for each borrower with the proper notation therein as "SARF III LOAN". Such loan releases shall be made immediately upon receipt of the credit advice. The rural bank shall submit to DRBSLA, Central Bank a list of farmers that were granted loans out of the special fund within forty five (45) days from the date of receipt of said fund.
 - e. Repayments received by the rural bank from farmer-borrowers on loans granted under this program, including interest thereon less 3% commission on the amount collected, shall be remitted to the DRBSLA within five (5) banking days from receipt thereof. A rural bank which fails to remit the amount collected within the period mentioned above shall pay a penalty charge on the amount unremitted at the rate of fourteen percent (14%) per annum until said amount is remitted in full to the Central Bank.
9. Any amount received by the rural bank from the Central Bank as Administrator of the special fund not loaned out to qualified farmer-borrowers shall be remitted to the DRBSLA, within forty-five (45) days from receipt of the credit advice. A rural bank which fails to return the unused portion of the special fund within the period mentioned above shall pay a penalty charge on the amount unremitted at the rate of fourteen percent (14%) per annum until said amount is remitted in full to the Central Bank.
10. Any misappropriation of funds received by the rural bank or failure of the rural bank to remit to the Central Bank loan repayments of farmer-borrowers or the amount from the Special Fund not loaned out as provided in paragraph 9 above within the requisite period under this program shall subject the officers and employees responsible therefor to prosecution under Article 315 of the Revised Penal Code.

11. The rural bank participating under this program shall keep separate books of accounts and records affecting transactions under this Special Fund. Cash pertaining to this Fund shall, likewise, be physically segregated from other funds. Separate financial statements in the existing prescribed form shall be submitted monthly to the Central Bank by the participating rural bank. Accounting entries shall be the same as those prescribed under SARF I.

This Memorandum Circular shall take effect immediately.

(SGD.) AMADO R. BRINAS
Senior Deputy Governor

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MEMORANDUM TO ALL BANKS
August 22, 1979

1922 A

The Monetary Board, in its Resolution No. 1474 dated August 10, 1979, clarified Section 4.b of Circular No. 684 which prohibits banks from making any announcement or communication on the declaration of cash dividends in relation to the SEC rule requiring immediate notice to the Securities and Exchange Commission (SEC) of a dividend declaration.

Banks whose shares are listed with any domestic stock exchange may declare cash dividends and give immediate notice of such declaration to the SEC and the stock exchanges, in compliance with pertinent rules of SEC: *Provided*, That no record date is fixed for such cash dividend pending verification of the report on such declaration by the appropriate supervising and examining department of the Central Bank.

Please be guided accordingly.

(SGD.) CARLOTA P. VALENZUELA
Deputy Governor

MEMORANDUM TO ALL COMMERCIAL BANKS, SAVINGS
AND MORTGAGE BANKS, PRIVATE DEVELOPMENT
BANKS, SPECIALIZED GOVERNMENT BANKS

27 August 1979

1423

The following guidelines are hereby adopted so as to facilitate the preparation and submission of report form CBP 7-16-11 — List of Stockholders and Their Stockholdings:

1. Banks shall submit in duplicate to the Department of Commercial and Savings Banks annually a complete list of stockholders and their stockholdings and all other relevant information called for in the report form CBP 7-16-11 within twelve (12) banking days from the beginning of each calendar year.

2. Any change (either by replacement, addition or cancellation) in the above original list shall be reported quarterly to the Department of Commercial and Savings Banks not later than seven (7) banking days after the end of each quarter, specifying therein the name(s) and/or stockholdings involved which is/are to be cancelled or replaced, and the new name(s) and/or stockholdings which shall be included for that quarter. In case no change(s) occurred during a particular quarter, the report shall provide a notation, viz: "No change(s) since last report submitted for the quarter ended _____, 19 ____".

3. For purposes of reporting for the quarter ending 30 September 1979, the list appearing in the quarterly report as of 30 June 1979, shall be considered the original list for 1979, and any change(s) therein shall be reported following the procedure in Item 2 above.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO ALL BANKS
September 10, 1979

1424

The Monetary Board under Resolution No. 1555 dated August 24, 1979, approved the amendment of items b. and d. of Memorandum to All Banks dated March 29, 1976, as follows:

1. Item b. shall read as follows:

[432]

"The charge shall not exceed ₱12.00 per year (or ₱1.00 per month)."

2. Item d. shall read as follows:

"The period of inactivity (no deposit or withdrawal transactions) before imposition of a charge shall be at least three (3) years (or 36 months)."

The above amendments shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO ALL CENTRAL BANK
REGIONAL OFFICES, AUTHORIZED AGENT BANKS,
ACCREDITED GOVERNMENT SECURITIES DEALERS
AND OTHERS CONCERNED 1425
September 11, 1979

We are now implementing the provisions of Revenue Regulations No. 6-79 dated June 4, 1979 supplementing Revenue Regulations No. 13-78, otherwise known as the Expanded Withholding Tax Regulations on taxable government bonds and securities.

In connection therewith, all requests for collection of interest payments for the account of your clients should indicate the bondholder's full name, Tax Account Number and present address.

Please be guided accordingly.

(SGD.) ALINA M. DIAZ
Director

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MEMORANDUM TO ALL BANKS AND NON-BANK
FINANCIAL INTERMEDIARIES
29 November 1979 1426 1

A pamphlet containing the Questions and Answers in the Seminar on Domestic Borrowings of Foreign Firms held in Manila on 21 June 1978 was recently issued by the Inter-Agency Committee on

Domestic Borrowings of Foreign Firms (IAC-DBFF) which is implementing the provisions of Circular No. 572 and its Guidelines, both as amended.

For a better understanding of the rationale and mechanics of said Circular and to minimize the incidence of violations thereof, all banks and non-bank financial intermediaries are urged and enjoined to secure the necessary copies of the pamphlet from the Secretariat of the IAC-DBFF, Room 203, EDPC Building, Central Bank Complex, Mabini, Manila.

(SGD.) CARLOTA P. VALENZUELA
Deputy Governor
Supervision & Examination Sector
Member
Inter-Agency Committee on Domestic
Borrowings of Foreign Firms