



REPUBLIC ACT NO. 7653
AS AMENDED BY REPUBLIC ACT NO. 11211





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CHAPTER I

ESTABLISHMENT AND ORGANIZATION OF THE BANGKO SENTRAL NG PILIPINAS

ARTICLE I - CREATION, RESPONSIBILITIES AND CORPORATE POWERS OF THE BANGKO SENTRAL

SECTION 1. *Declaration of Policy.* — The State shall maintain a central monetary authority that shall function and operate as an independent and accountable body corporate in the discharge of its mandated responsibilities concerning money, banking and credit. In line with this policy, and considering its unique functions and responsibilities, the central monetary authority established under this Act, while being a government-owned corporation, shall enjoy fiscal and administrative autonomy.

SECTION 2. *Creation of the Bangko Sentral.* — There is hereby established an independent central monetary authority, which shall be a body corporate known as the *Bangko Sentral ng Pilipinas*, hereafter referred to as the *Bangko Sentral*.

The capital of the *Bangko Sentral* shall be **Two hundred billion pesos (P200,000,000,000)**, to be fully subscribed by the Government of the Republic of the Philippines, hereafter referred to as the Government: ***Provided, That the increase in capitalization shall be funded solely from the declared dividends of the Bangko Sentral in favor of the National Government. For this purpose, any and all declared dividends of the Bangko Sentral in favor of the National Government shall be deposited in a special account in the General Fund, and earmarked for the payment of Bangko Sentral's increase in capitalization. Such payment shall be released and disbursed immediately and shall continue until the increase in capitalization has been fully paid.***

SECTION 3. *Responsibility and Primary Objective.* — The *Bangko Sentral* shall provide policy directions in the areas of money, banking, and credit. It shall have supervision over the operations of banks and exercise such regulatory **and examination** powers as provided in this Act and other pertinent laws over the **quasi-banking** operations of non-bank financial institutions. **As may be determined by the Monetary Board, it shall likewise exercise regulatory and examination powers over money service businesses, credit granting businesses, and payment system operators. The Monetary Board is hereby empowered to authorize entities or persons to engage in money service businesses.**

The primary objective of the *Bangko Sentral* is to maintain price stability conducive to a balanced and sustainable growth of the economy **and employment**. It shall also promote and maintain monetary stability and the convertibility of the peso.

The ***Bangko Sentral*** shall promote financial stability and closely work with the National Government, including, but not limited to, the Department of Finance, Securities and Exchange Commission, the Insurance Commission, and the Philippine Deposit Insurance Corporation.

The ***Bangko Sentral*** shall oversee the payment and settlement systems in the Philippines, including critical financial market infrastructures, in order to promote sound and prudent practices consistent with the maintenance of financial stability.

In the attainment of its objectives, the ***Bangko Sentral*** shall promote broad and convenient access to high quality financial services and consider the interest of the general public.

SECTION 4. *Place of Business.* — The ***Bangko Sentral*** shall have its principal place of business in Metro Manila, but may maintain branches, agencies and correspondents in such other places as the proper conduct of its business may require.

SECTION 5. *Corporate Powers.* — The ***Bangko Sentral*** is hereby authorized to adopt, alter, and use a corporate seal which shall be judicially noticed; to enter into contracts; to lease or own real and personal property, and to sell or otherwise dispose of the same; to sue and be sued; and otherwise to do and perform any and all things that may be necessary or proper to carry out the purposes of this Act.

The ***Bangko Sentral*** may acquire and hold such assets and incur such liabilities in connection with its operations authorized by the provisions of this Act, or as are essential to the proper conduct of such operations.

The ***Bangko Sentral*** may compromise, condone or release, in whole or in part, any claim of or settled liability to the ***Bangko Sentral***, regardless of the amount involved, under such terms and conditions as may be prescribed by the Monetary Board to protect the interests of the ***Bangko Sentral***.

ARTICLE II - THE MONETARY BOARD

SECTION 6. *Composition of the Monetary Board.* — The powers and functions of the ***Bangko Sentral*** shall be exercised by the ***Bangko Sentral*** Monetary Board, hereafter referred to as the Monetary Board, composed of seven (7) members appointed by the President of the Philippines for a term of six (6) years.

The seven (7) members are:

- (a) the Governor of the *Bangko Sentral*, who shall be the Chairman of the Monetary Board. The Governor of the *Bangko Sentral* shall be head of a department and his appointment shall be subject to confirmation by the Commission on Appointments. Whenever the Governor is unable to attend a meeting of the Board, he shall designate a Deputy Governor to act as his alternate: *Provided*, That in such event, the Monetary Board shall designate one of its members as acting Chairman;
- (b) a member of the Cabinet to be designated by the President of the Philippines. Whenever the designated Cabinet Member is unable to attend a meeting of the Board, he shall designate an Undersecretary in his Department to attend as his alternate; and
- (c) five (5) members who shall come from the private sector, all of whom shall serve full-time: *Provided, however*, That of the members first appointed under the provisions of this subsection, three (3) shall have a term of six (6) years, and the other two (2), three (3) years.

No member of the Monetary Board may be reappointed more than once.

SECTION 7. *Vacancies*. — Any vacancy in the Monetary Board created by the death, resignation, or removal of any member shall be filled by the appointment of a new member to complete the unexpired period of the term of the member concerned.

SECTION 8. *Qualifications*. — The members of the Monetary Board must be natural-born citizens of the Philippines, at least thirty-five (35) years of age, with the exception of the Governor who should at least be forty (40) years of age, of good moral character, of unquestionable integrity, of known probity and patriotism, and with recognized competence in social and economic disciplines.

SECTION 9. *Disqualifications*. — In addition to the disqualifications imposed by Republic Act No. 6713, a member of the Monetary Board is disqualified from being a director, officer, employee, consultant, lawyer, agent or stockholder of any bank, quasi-bank or any other institution which is subject to supervision or examination by the *Bangko Sentral*, in which case such member shall resign from, and divest himself of any and all interests in such institution before assumption of office as member of the Monetary Board.

The members of the Monetary Board coming from the private sector shall not hold any other public office or public employment during their tenure.

No person shall be a member of the Monetary Board if he has been connected directly with any multilateral banking or financial institution or has a substantial interest in any private bank in the Philippines, within one (1) year prior to his appointment; likewise, no member of the Monetary Board shall be employed in any such institution within two (2) years after the expiration of his term except when he serves as an official representative of the Philippine Government to such institution.

SECTION 10. *Removal.* — The President may remove any member of the Monetary Board for any of the following reasons:

- (a) If the member is subsequently disqualified under the provisions of Section 8 of this Act; or
- (b) If he is physically or mentally incapacitated that he cannot properly discharge his duties and responsibilities and such incapacity has lasted for more than six (6) months; or
- (c) If the member is guilty of acts or operations which are of fraudulent or illegal character or which are manifestly opposed to the aims and interests of the *Bangko Sentral*; or
- (d) If the member no longer possesses the qualifications specified in Section 8 of this Act.

SECTION 11. *Meetings.* — The Monetary Board shall meet at least once a week. The Board may be called to a meeting by the Governor of the *Bangko Sentral* or by two (2) other members of the Board.

The presence of four (4) members shall constitute a quorum: *Provided*, That in all cases the Governor or his duly designated alternate shall be among the four (4).

Unless otherwise provided in this Act, all decisions of the Monetary Board shall require the concurrence of at least four (4) members.

The *Bangko Sentral* shall maintain and preserve a complete record of the proceedings and deliberations of the Monetary Board, including the tapes and transcripts of the stenographic notes, either in their original form or in microfilm.

The meetings of the Monetary Board may be conducted through modern technologies such as, but not limited to, teleconferencing and videoconferencing.

SECTION 12. *Attendance of the Deputy Governors.* — The Deputy Governors may attend the meetings of the Monetary Board with the right to be heard.

SECTION 13. *Salary.* — The salary of the Governor and the members of the Monetary Board from the private sector shall be fixed by the President of the Philippines at a sum commensurate to the importance and responsibility attached to the position.

SECTION 14. *Withdrawal of Persons Having a Personal Interest.* — In addition to the requirements of Republic Act No. 6713, any member of the Monetary Board with personal or pecuniary interest in any matter in the agenda of the Monetary Board shall disclose his interest to the Board and shall retire from the meeting when the matter is taken up. The decision taken on the matter shall be made public. The minutes shall reflect the disclosure made and the retirement of the member concerned from the meeting.

SECTION 15. *Exercise of Authority.* — In the exercise of its authority, the Monetary Board shall:

- (a) issue rules and regulations it considers necessary for the effective discharge of the responsibilities and exercise of the powers vested upon the Monetary Board and the *Bangko Sentral*. The rules and regulations issued shall be reported to the President and the Congress within fifteen (15) days from the date of their issuance;
- (b) direct the management, operations, and administration of the *Bangko Sentral*, reorganize its personnel, and issue such rules and regulations as it may deem necessary or convenient for this purpose. The legal units of the *Bangko Sentral* shall be under the exclusive supervision and control of the Monetary Board;
- (c) establish a human resource management system which shall govern the selection, hiring, appointment, transfer, promotion, or dismissal of all personnel. Such system shall aim to establish professionalism and excellence at all levels of the *Bangko Sentral* in accordance with sound principles of management.

A compensation structure, based on job evaluation studies and wage surveys and subject to the Board's approval, shall be instituted as an integral component of the *Bangko Sentral's* Human Resource Development Program: *Provided*, That the Monetary Board shall make its own system conform as closely as possible with the principles provided for under Republic Act No. 6758: *Provided, however*, That compensation and wage structure of employees whose positions fall under salary grade

19 and below shall be in accordance with the rates prescribed under Republic Act No. 6758.

On the recommendation of the Governor, appoint, fix the remunerations and other emoluments, and remove personnel of the *Bangko Sentral*, subject to pertinent civil service laws: *Provided*, That the Monetary Board shall have exclusive and final authority to promote, transfer, assign, or reassign personnel of the *Bangko Sentral* and these personnel actions are deemed made in the interest of the service and not disciplinary: *Provided, further*, That the Monetary Board may delegate such authority to the Governor under such guidelines as it may determine.

- (d) adopt an annual budget for and authorize such expenditures by the *Bangko Sentral* as are in the interest of the effective administration and operations of the *Bangko Sentral* in accordance with applicable laws and regulations; and
- (e) indemnify its members and other officials of the *Bangko Sentral*, including personnel of the departments performing supervision and examination functions against all costs and expenses reasonably incurred by such persons in connection with any civil or criminal action, suit or proceedings to which he may be, or is, made a party by reason of the performance of his functions or duties, unless he is finally adjudged in such action or proceeding to be liable for **willful violation of this Act, performed in evident bad faith or with gross negligence**.

In the event of a settlement or compromise, indemnification shall be provided only in connection with such matters covered by the settlement as to which the *Bangko Sentral* is advised by external counsel that the person to be indemnified did not commit **willful violation of this Act, performed in evident bad faith or with gross negligence**.

The costs and expenses incurred in defending the aforementioned action, suit or proceeding may be paid by the *Bangko Sentral* in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the member, officer, or employee to repay the amount advanced should it ultimately be determined by the Monetary Board that he is not entitled to be indemnified as provided in this subsection.

SECTION 16. *Responsibility*. — The general rule and the exception therefrom on the liability of public officers as provided in Sections 38 and 39 of Chapter 9, Book 1 of the Revised Administrative Code of 1987 shall apply to the members of the Monetary Board and other personnel of the *Bangko Sentral*.

Similar responsibility shall apply to members **of the Monetary Board, and other personnel** of the *Bangko Sentral* for: (1) the disclosure of any information of a confidential nature, or any information on the discussions or resolutions of the Monetary Board, or about the confidential operations of the *Bangko Sentral*, unless the disclosure is in connection with the performance of official functions with the *Bangko Sentral*, or is with prior authorization of the Monetary Board or the Governor; or (2) the use of such information for personal gain or to the detriment of the Government, the *Bangko Sentral* or third parties: *Provided, however,* That any data or information required to be submitted to the President and/or the Congress, or to be published under the provisions of this Act shall not be considered confidential.

Unless the actions or omissions of the *Bangko Sentral*, members of the Monetary Board and its other personnel are finally adjudged to be in willful violation of this Act, performed in evident bad faith or with gross negligence, they are held free and harmless to the fullest extent permitted by law from any liability, and they shall be indemnified for any and all liabilities, losses, claims, demands, damages, deficiencies, costs and expenses of whatsoever kind and nature that may arise in connection with the exercise of their powers and performance of their duties and functions.

ARTICLE III - THE GOVERNOR AND DEPUTY GOVERNORS OF THE BANGKO SENTRAL

SECTION 17. *Powers and Duties of the Governor.* — The Governor shall be the chief executive officer of the *Bangko Sentral*. His powers and duties shall be to:

- (a) prepare the agenda for the meetings of the Monetary Board and to submit for the consideration of the Board the policies and measures which he believes to be necessary to carry out the purposes and provisions of this Act;
- (b) execute and administer the policies and measures approved by the Monetary Board;
- (c) direct and supervise the operations and internal administration of the *Bangko Sentral*. The Governor may delegate certain of his administrative responsibilities to other officers or may assign specific tasks or responsibilities to any full-time member of the Monetary Board without additional remuneration or allowance whenever he may deem fit or subject to such rules and regulations as the Monetary Board may prescribe;

- (d) appoint and fix the remunerations and other emoluments of personnel below the rank of a department head in accordance with the position and compensation plans approved by the Monetary Board, as well as to impose disciplinary measures upon personnel of the *Bangko Sentral*, subject to the provisions of Section 15(c) of this Act: *Provided*, That removal of personnel shall be with the approval of the Monetary Board;
- (e) render opinions, decisions, or rulings, which shall be final and executory until reversed or modified by the Monetary Board, on matters regarding application or enforcement of laws pertaining to institutions supervised by the *Bangko Sentral* and laws pertaining to quasi-banks, as well as regulations, policies or instructions issued by the Monetary Board, and the implementation thereof; and
- (f) exercise such other powers as may be vested in him by the Monetary Board.

SECTION 18. *Representation of the Monetary Board and the Bangko Sentral.*

— The Governor of the *Bangko Sentral* shall be the principal representative of the Monetary Board and of the *Bangko Sentral* and, in such capacity and in accordance with the instructions of the Monetary Board, he shall be empowered to:

- (a) represent the Monetary Board and the *Bangko Sentral* in all dealings with other offices, agencies and instrumentalities of the Government and all other persons or entities, public or private, whether domestic, foreign or international;
- (b) sign contracts entered into by the *Bangko Sentral*, notes and securities issued by the *Bangko Sentral*, all reports, balance sheets, profit and loss statements, correspondence and other documents of the *Bangko Sentral*.

The signature of the Governor may be in facsimile whenever appropriate;

- (c) represent the *Bangko Sentral*, either personally or through counsel, including private counsel, as may be authorized by the Monetary Board, in any legal proceedings, action or specialized legal studies; and
- (d) delegate his power to represent the *Bangko Sentral*, as provided in subsections (a), (b) and (c) of this section, to other officers upon his own responsibility: *Provided, however*, That in order to preserve the integrity and the prestige of his office, the Governor of the *Bangko Sentral* may choose not to participate in preliminary discussions with any multilateral banking or financial institution on any negotiations for the Government

within or outside the Philippines. During the negotiations, he may instead be represented by a permanent negotiator.

SECTION 19. *Authority of the Governor in Emergencies.* — In case of emergencies where time is insufficient to call a meeting of the Monetary Board, the Governor of the *Bangko Sentral*, with the concurrence of two (2) other members of the Monetary Board, may decide any matter or take any action within the authority of the Board.

The Governor shall submit a report to the President and Congress within seventy-two (72) hours after the action has been taken.

At the soonest possible time, the Governor shall call a meeting of the Monetary Board to submit his action for ratification.

SECTION 20. *Outside Interests of the Governor and the Full-time Members of the Board.* — The Governor of the *Bangko Sentral* and the full-time members of the Board shall limit their professional activities to those pertaining directly to their positions with the *Bangko Sentral*. Accordingly, they may not accept any other employment, whether public or private, remunerated or *ad honorem*, with the exception of positions in eleemosynary, civic, cultural or religious organizations or whenever, by designation of the President, the Governor or the full-time member is tasked to represent the interest of the Government or other government agencies in matters connected with or affecting the economy or the financial system of the country.

SECTION 21. *Deputy Governors.* — The Governor of the *Bangko Sentral*, with the approval of the Monetary Board, shall appoint not more than **five (5)** Deputy Governors who shall perform duties as may be assigned to them by the Governor and the Board.

In the absence of the Governor, a Deputy Governor designated by the Governor shall act as chief executive of the *Bangko Sentral* and shall exercise the powers and perform the duties of the Governor. Whenever the Governor is unable to attend meetings of government boards or councils in which he is an *ex officio* member pursuant to provisions of special laws, a Deputy Governor as may be designated by the Governor shall be vested with authority to participate and exercise the right to vote in such meetings.

ARTICLE IV - OPERATIONS OF THE BANGKO SENTRAL

SECTION 22. *Research and Statistics.* — The *Bangko Sentral* shall prepare data and conduct economic research for the guidance of the Monetary Board in the formulation and implementation of its policies. Such data shall include, among others, forecasts of the balance of payments of the Philippines, statistics on the

monthly movement of the monetary aggregates and of prices and other statistical series and economic studies useful for the formulation and analysis of monetary, banking, credit and exchange policies.

SECTION 23. *Authority to Obtain Data and Information.* — The *Bangko Sentral* shall have the authority to **require** from **any person or entity, including** government offices and instrumentalities, or government-owned or -controlled corporations, any data, for **statistical and policy development purposes in relation to** the proper discharge of its functions and responsibilities: ***Provided, That disaggregated data gathered are subject to prevailing confidentiality laws.*** The *Bangko Sentral* through the Governor or in his absence, a duly authorized representative shall have the power to issue a *subpoena* for the production of the books and records for the aforesaid purpose. Those who refuse the *subpoena* without justifiable cause, or who refuse to supply the ***Bangko Sentral*** with data required, shall be subject to punishment for contempt in accordance with the provisions of the Rules of Court.

The authority of the *Bangko Sentral* to require data from banks shall continue to be exercised pursuant to its supervisory powers set forth in this Act and other applicable laws.

Data on individuals **and** firms, other than banks, gathered by the *Bangko Sentral* shall not be made available to any person or entity outside of the *Bangko Sentral* whether public or private except under order of the court or under such conditions as may be prescribed by the Monetary Board: *Provided, however, That the collective data on firms may be released to interested persons or entities: Provided, finally, That in the case of data on banks, the provisions of Section 27 of this Act shall apply.*

SECTION 24. *Training of Technical Personnel.* — The *Bangko Sentral* shall promote and sponsor the training of technical personnel in the field of money and banking. Toward this end, the *Bangko Sentral* is hereby authorized to defray the costs of study, at home or abroad, of qualified employees of the *Bangko Sentral*, of promising university graduates or of any other qualified persons who shall be determined by proper competitive examinations. The Monetary Board shall prescribe rules and regulations to govern the training program of the *Bangko Sentral*.

SECTION 25. *Supervision and Examination.* — The *Bangko Sentral* shall have supervision over, and conduct **regular** or special examinations of banking institutions and quasi-banks, including their subsidiaries and affiliates engaged in allied activities.

For purposes of this section, a subsidiary means a corporation more than fifty percent (50%) of the voting stock of which is **directly or indirectly** owned,

controlled or held with power to vote by a bank or quasi-bank and an affiliate means a corporation the voting stock of which, to the extent of fifty percent (50%) or less, is owned by a bank or quasi-bank or which is related or linked **directly or indirectly** to such institution or intermediary through common stockholders or such other factors as may be determined by the Monetary Board.

The *Bangko Sentral* shall have regulatory authority over, and conduct regular or special examinations of, entities which under this Act or by special laws are subject to its jurisdiction.

The *Bangko Sentral* shall establish a mechanism for issues arising from bank examinations. It shall be independent and reports directly to the Monetary Board, without prejudice to the authority of the *Bangko Sentral* and its Monetary Board to take enforcement and supervisory actions against supervised entities.

The department heads and the examiners of the supervising and/or examining departments are hereby authorized to administer oaths to any director, officer, or employee of any institution under their respective supervision or subject to their examination, and to compel the presentation of all books, documents, papers or records necessary in their judgment to ascertain the facts relative to the true condition of any institution as well as the books and records of persons and entities relative to or in connection with the operations, activities or transactions of the institution under examination, subject to the provision of existing laws protecting or safeguarding the secrecy or confidentiality of bank deposits as well as investments of private persons, natural or juridical, in debt instruments issued by the Government.

No restraining order or injunction shall be issued by the court enjoining the *Bangko Sentral* from examining any institution subject to supervision or examination by the *Bangko Sentral*, unless there is convincing proof that the action of the *Bangko Sentral* is plainly arbitrary and made in bad faith and the petitioner or plaintiff files with the clerk or judge of the court in which the action is pending a bond executed in favor of the *Bangko Sentral*, in an amount to be fixed by the court. The provisions of Rule 58 of the New Rules of Court insofar as they are applicable and not inconsistent with the provisions of this section shall govern the issuance and dissolution of the restraining order or injunction contemplated in this section.

SECTION 25-A. Authority to Approve Transfer of Shares. — Transfers or acquisitions, or a series thereof, of at least ten percent (10%) of the voting shares in banks or quasi-banks shall require the prior approval of the *Bangko Sentral*. The selling or conveying stockholder shall submit such transfer or acquisition for approval by the *Bangko Sentral* within such period as may be prescribed by the Monetary Board. In approving such transfers or acquisitions, regard shall be given by the *Bangko Sentral* to the

fitness of the incoming stockholders as may be indicated in their integrity, reputation and financial capacity. Without *Bangko Sentral* approval, no such transfer or acquisition shall have legal effect nor shall the same be recognized in the books of the institution or by any government agency, and the transferor-stockholders shall remain accountable and responsible therefor. Transfer of actual control or management of the institution to the new stockholders or their representatives prior to *Bangko Sentral* approval shall make the transferor, the transferee and any person responsible therefor liable under Sections 36 and 37 of this Act. Notwithstanding any provision of law to the contrary, the *Bangko Sentral* may share with the Philippine Deposit Insurance Corporation any information that the *Bangko Sentral* may obtain pertaining to transfer or acquisition of shares or series of transfers or acquisition of shares in banks and quasi-banks.

SECTION 26. *Bank Deposits and Investments.* — Any director, officer or stockholder who, together with his related interest, contracts a loan or any form of financial accommodation from: (1) his bank; or (2) from a bank (a) which is a subsidiary of a bank holding company of which both his bank and the lending bank are subsidiaries or (b) in which a controlling proportion of the shares is owned by the same interest that owns a controlling proportion of the shares of his bank, in excess of five percent (5%) of the capital and surplus of the bank, or in the maximum amount permitted by law, whichever is lower, shall be required by the lending bank to waive the secrecy of his deposits of whatever nature in all banks in the Philippines. Any information obtained from an examination of his deposits shall be held strictly confidential and may be used by the examiners only in connection with their supervisory and examination responsibility or by the *Bangko Sentral* in an appropriate legal action it has initiated involving the deposit account.

SECTION 27. *Prohibitions.* — In addition to the prohibitions found in Republic Act Nos. 3019 and 6713, personnel of the *Bangko Sentral* are hereby prohibited from:

- (a) being an officer, director, lawyer or agent, employee, consultant or stockholder, directly or indirectly, of any institution subject to supervision or examination by the *Bangko Sentral*, except non-stock savings and loan associations and provident funds organized exclusively for employees of the *Bangko Sentral*, and except as otherwise provided in this Act;
- (b) directly or indirectly requesting or receiving any gift, present or pecuniary or material benefit for himself or another, from any institution subject to supervision or examination by the *Bangko Sentral*;

- (c) revealing in any manner, except under orders of the court, the Congress or any government office or agency authorized by law, or under such conditions as may be prescribed by the Monetary Board, information relating to the condition or business of any institution. This prohibition shall not be held to apply to the giving of information to the Monetary Board or the Governor of the *Bangko Sentral*, or to any person authorized by either of them, in writing, to receive such information; and
- (d) borrowing from any institution subject to supervision or examination by the *Bangko Sentral* unless said borrowing **is transacted on an arm's length basis**, fully disclosed to the Monetary Board, and shall be subject to such rules and regulations as the Monetary Board may prescribe.

SECTION 28. *Examination and Fees.* — The supervising and examining department head, personally or by deputy, shall examine the **operations** of every **bank and quasi-bank, including their subsidiaries and affiliates engaged in allied activities, and other entities which under this Act or special laws are subject to *Bangko Sentral* supervision, in accordance with the guidelines set by the Monetary Board taking into consideration sound and prudent practices:** *Provided*, That there shall be an interval of at least twelve (12) months between **regular** examinations: *Provided, further*, **That the Monetary Board, by an affirmative vote of at least five (5) members, may authorize a special examination if the circumstances warrant.**

The **institution** concerned shall afford to the head of the appropriate supervising and examining departments and to his authorized deputies full opportunity to examine its **books and records**, cash and assets and general condition **and review its systems and procedures** at any time during **business** hours when requested to do so by the *Bangko Sentral*: *Provided, however*, That none of the reports and other papers relative to such examinations shall be open to inspection by the public except insofar as such publicity is incidental to the proceedings hereinafter authorized or is necessary for the prosecution of violations in connection with the business of such institutions.

Supervised institutions shall pay to the *Bangko Sentral*, **no later than May 31** of each year, an annual **supervision** fee as may be prescribed by the Monetary Board. **In determining the amount of the annual supervision fee, the Monetary Board shall consider the costs of supervision.**

SECTION 28-A. *Bangko Sentral Coordination.* — The suspension or revocation of any government license necessary for the operation of *Bangko Sentral*-supervised entity must be done only with prior consultation with the *Bangko Sentral*.

SECTION 29. *Appointment of Conservator.* — Whenever, on the basis of a report submitted by the appropriate supervising or examining department, the Monetary Board finds that a bank or a quasi-bank is in a state of continuing inability or unwillingness to maintain a condition of liquidity deemed adequate to protect the interest of depositors and creditors, the Monetary Board may appoint a conservator with such powers as the Monetary Board shall deem necessary to take charge of the assets, liabilities, and the management thereof, reorganize the management, collect all monies and debts due said institution, and exercise all powers necessary to restore its viability. The conservator shall report and be responsible to the Monetary Board and shall have the power to overrule or revoke the actions of the previous management and board of directors of the bank or quasi-bank.

The conservator should be competent and knowledgeable in bank operations and management. The conservatorship shall not exceed one (1) year.

The conservator shall receive remuneration to be fixed by the Monetary Board in an amount not to exceed two-thirds (2/3) of the salary of the president of the institution in one (1) year, payable in twelve (12) equal monthly payments: *Provided*, That, if at any time within one-year period, the conservatorship is terminated on the ground that the institution can operate on its own, the conservator shall receive the balance of the remuneration which he would have received up to the end of the year; but if the conservatorship is terminated on other grounds, the conservator shall not be entitled to such remaining balance. The Monetary Board may appoint a conservator connected with the *Bangko Sentral*, in which case he shall not be entitled to receive any remuneration or emolument from the *Bangko Sentral* during the conservatorship. The expenses attendant to the conservatorship shall be borne by the bank or quasi-bank concerned.

The Monetary Board shall terminate the conservatorship when it is satisfied that the institution can continue to operate on its own and the conservatorship is no longer necessary. The conservatorship shall likewise be terminated should the Monetary Board, on the basis of the report of the conservator or of its own findings, determine that the continuance in business of the institution would involve probable loss to its depositors or creditors, in which case the provisions of Section 30 shall apply.

SECTION 30. *Proceedings in Receivership and Liquidation.* — Whenever, upon report of the head of the supervising or examining department, the Monetary Board finds that a bank or quasi-bank:

- (a) **has notified the *Bangko Sentral* or publicly announced a unilateral closure, or has been dormant for at least sixty (60) days or in any manner has suspended the payment of its deposit/deposit substitute**

liabilities, or is unable to pay its liabilities as they become due in the ordinary course of business: *Provided*, That this shall not include inability to pay caused by extraordinary demands induced by financial panic in the banking community;

- (b) has insufficient realizable assets, as determined by the *Bangko Sentral*, to meet its liabilities; or
- (c) cannot continue in business without involving probable losses to its depositors or creditors; or
- (d) has willfully violated a cease and desist order under Section 37 of this Act that has become final, involving acts or transactions which amount to fraud or a dissipation of the assets of the institution; in which cases, the Monetary Board may summarily and without need for prior hearing forbid the institution from doing business in the Philippines and designate the Philippine Deposit Insurance Corporation (PDIC) as receiver **in the case of banks and direct the PDIC to proceed with the liquidation of the closed bank pursuant to this section and the relevant provisions of Republic Act No. 3591, as amended. The Monetary Board shall notify in writing, through the receiver, the board of directors of the closed bank of its decision.**

The actions of the Monetary Board taken under this section or under Section 29 of this Act shall be final and executory, and may not be restrained or set aside by the court except on petition for *certiorari* on the ground that the action taken was in excess of jurisdiction or with such grave abuse of discretion as to amount to lack or excess of jurisdiction. The petition for *certiorari* may only be filed by the stockholders of record representing the majority of the capital stock within ten (10) days from receipt by the board of directors of the institution of the order directing receivership, liquidation or conservatorship. The designation of a conservator under Section 29 of this Act or the appointment of a receiver under this section shall be vested exclusively with the Monetary Board. Furthermore, the designation of a conservator is not a precondition to the designation of a receiver.

The authority of the Monetary Board to summarily and without need for prior hearing forbid the bank or quasi-bank from doing business in the Philippines as provided above may also be exercised over non-stock savings and loan associations, based on the same applicable grounds. For quasi-banks and non-stock savings and loan associations, any person of recognized competence in banking, credit or finance may be designated by the *Bangko Sentral* as a receiver.

SECTION 31. *deleted*

SECTION 32. *deleted*

SECTION 33. *Disposition of Banking Franchise.* — The *Bangko Sentral* may, if public interest so requires, award to an institution, upon such terms and conditions as the Monetary Board may approve, the banking franchise of a bank under liquidation to operate in the area where said bank or its branches were previously operating: *Provided*, That whatever proceeds may be realized from such award shall be subject to the appropriate exclusive disposition of the Monetary Board.

SECTION 34. *Refusal to Make Reports or Permit Examination.* — Any officer, owner, agent, manager, director or officer-in-charge of any institution who, being required in writing by the Monetary Board or by the head of the supervising and examining department **within the purview of this Act and relevant laws** willfully refuses to file the required report or permit any lawful examination into the affairs of such institution shall be punished by a fine of not less than Fifty thousand pesos (P50,000) nor more than **Two million pesos (P2,000,000)** or by imprisonment of not less than one (1) year nor more than five (5) years, or both, **at the discretion of the court.**

This shall also apply to the officer, owner, agent, manager, director or officer-in-charge of the affiliate company/ies whose transactions are subject to examination under this Act.

SECTION 35. *False Statement.* — The willful making of a false or misleading statement on a material fact to the Monetary Board or to the examiners of the *Bangko Sentral* shall be punished by a fine of not less than One hundred thousand pesos (P100,000) nor more than **Two million pesos (P2,000,000)**, or by imprisonment of not more than (5) years, or both, at the discretion of the court.

SECTION 36. *Proceedings Upon Violation of This Act and Other Banking Laws, Rules, Regulations, Orders or Instructions.* — Whenever a bank, quasi-bank, **including their subsidiaries and affiliates engaged in allied activities or other entity which under this Act or special laws is subject to *Bangko Sentral* supervision** or whenever any person or entity willfully violates this Act or other pertinent banking laws being enforced or implemented by the *Bangko Sentral* or any order, instruction, rule or regulation issued by the Monetary Board, the person or persons responsible for such violation shall unless otherwise provided in this Act be punished by a fine of not less than Fifty thousand pesos (P50,000) nor more than **Two million pesos (P2,000,000)** or by imprisonment of not less than two (2) years nor more than ten (10) years, or both, at the discretion of the court.

Whenever **an entity under *Bangko Sentral* supervision** persists in carrying on its business in an unlawful or unsafe manner, the Board may, without prejudice to the penalties provided in the preceding paragraph of this section and the administrative sanctions provided in Section 37 of this Act, take action under Section 30 of this Act.

The *Bangko Sentral* may grant informer's reward to any person, except an officer or employee of the *Bangko Sentral* or of any intelligence or law enforcement agency, including the relatives of such officer or employee within the fourth degree of consanguinity or affinity, who voluntarily give definite information not yet in the possession of the *Bangko Sentral* leading to the: (a) arrest of bank directors or officers and/or BSP personnel for violation of this Act or any banking and other laws implemented or enforced by the *Bangko Sentral*, or for violation of other penal laws committed in connection with their employment or functions; or (b) filing of criminal charges against any person for violation of Section 50 of this Act.

The Monetary Board is hereby authorized to promulgate the implementing guidelines for the grant of informer's reward, which in no case shall exceed One million pesos (P1,000,000). Said guidelines may provide for additional qualifications and disqualifications of informants as well as the form and minimum content of the information given.

The cash reward of informers shall be subject to applicable withholding taxes.

SECTION 37. *Administrative Sanctions on Supervised Entities.* — **The imposition of administrative sanctions shall be fair, consistent and reasonable.** Without prejudice to the criminal sanctions against the culpable persons provided in Sections 34, 35, and 36 of this Act, the Monetary Board may, at its discretion, impose upon any bank, quasi-bank, **including their subsidiaries and affiliates engaged in allied activities, or other entity which under this Act or special laws are subject to the *Bangko Sentral* supervision, and/ or their directors, officers or employees,** for any willful violation of its charter or bylaws, willful delay in the submission of reports or publications thereof as required by law, rules and regulations; any refusal to permit examination into the affairs of the institution; any willful making of a false or misleading statement to the Board or the appropriate supervising and examining department or its examiners; any willful failure or refusal to comply with, or violation of, any banking law or any order, instruction or regulation issued by the Monetary Board, or any order, instruction or ruling by the Governor; or any commission of irregularities, and/or conducting business in an unsafe or unsound manner as may be determined by the Monetary Board, the following administrative sanctions, whenever applicable:

- (a) fines in amounts as may be determined by the Monetary Board to be appropriate, but in no case to exceed **One million pesos (P1,000,000) for each transactional violation or One hundred thousand pesos (P100,000) per calendar day** for violations of a continuing nature, taking into consideration the attendant circumstances, such as the nature and gravity of the violation or irregularity and the size of the institution: **Provided, That in case profit is gained or loss is avoided as a result of the violation, a fine no more than three (3) times the profit gained or loss avoided may also be imposed;**
- (b) suspension of rediscounting privileges or access to *Bangko Sentral* credit facilities;
- (c) suspension of lending or foreign exchange operations or authority to accept new deposits or make new investments;
- (d) suspension of interbank clearing privileges; and/or
- (e) **suspension or revocation of quasi-banking or other special licenses.**

Resignation or termination from office shall not exempt such director, officer **or employee** from administrative or criminal sanctions.

The Monetary Board may, whenever warranted by circumstances, preventively suspend any director, officer **or employee** of the institution pending an investigation: *Provided, That* should the case be not finally decided by the *Bangko Sentral* within a period of one hundred twenty (120) days after the date of suspension, said director, officer **or employee** shall be reinstated in his position: *Provided, further, That* when the delay in the disposition of the case is due to the fault, negligence or petition of the director or officer, the period of delay shall not be counted in computing the period of suspension herein provided.

The above administrative sanctions need not be applied in the order of their severity.

Whether or not there is an administrative proceeding, if the institution and/or the directors, officers **or employees** concerned continue with or otherwise persist in the commission of the indicated practice or violation, the Monetary Board may issue an order requiring the institution and/or the directors, officers **or employees** concerned to cease and desist from the indicated practice or violation, and may further order that immediate action be taken to correct the conditions resulting from such practice or violation. The cease and desist order shall be immediately effective upon service on the respondents.

The respondents shall be afforded an opportunity to defend their action in a hearing before the Monetary Board or any committee chaired by any Monetary Board member created for the purpose, upon request made by the respondents within five (5) days from their receipt of the order. If no such hearing is requested within said period, the order shall be final. If a hearing is conducted, all issues shall be determined on the basis of records, after which the Monetary Board may either reconsider or make final its order.

The Governor is hereby authorized, at his discretion, to impose upon **banks and quasi-banks, including their subsidiaries and affiliates engaged in allied activities, and other entities which under this Act or special laws are subject to *Bangko Sentral* supervision** for any failure to comply with the requirements of law, Monetary Board regulations and policies, and/or instructions issued by the Monetary Board or by the Governor, fines not in excess of **One hundred thousand pesos (P100,000) for each transactional violation or Thirty thousand pesos (P30,000) per calendar day for violations of a continuing nature**, the imposition of which shall be final and executory until reversed, modified or lifted by the Monetary Board on appeal.

SECTION 38. *Operating Departments of the Bangko Sentral.* — The Monetary Board shall, in accordance with its authority under this Act, determine and provide for such operating departments and other offices, including a public information office, of the *Bangko Sentral* as it deems convenient for the proper and efficient conduct of the operations and the accomplishment of the objectives of the *Bangko Sentral*. The functions and duties of such operating departments and other offices shall be determined by the Monetary Board.

SECTION 38-A. Issuance of Injunctive Relief Against Bangko Sentral Actions. — No court, other than the Court of Appeals and the Supreme Court, shall issue any temporary restraining order, preliminary injunction or preliminary mandatory injunction against the *Bangko Sentral* for any action under this Act.

Any restraining order or injunction issued in violation of this section is void and of no force and effect.

The provisions of the Rules of Court on injunctions insofar as these are applicable and not inconsistent with the provisions of this Act shall govern the issuance and dissolution of restraining orders or injunctions against the *Bangko Sentral*.

ARTICLE V - REPORTS AND PUBLICATIONS

SECTION 39. *Reports and Publications.* — The *Bangko Sentral* shall publish a general balance sheet showing the volume and composition of its assets and liabilities as of the last working day of the month within **ninety (90)** days after the end of each month, **which may be reasonably extended by the *Bangko Sentral* as warranted.**

The Monetary Board shall publish and submit the following reports to the President and to the Congress:

- (a) not later than ninety (90) days after the end of each quarter, an analysis of economic and financial developments, including the condition of net international reserves and monetary aggregates;
- (b) within ninety (90) days after the end of the year, **which may be reasonably extended by the *Bangko Sentral* as warranted,** the preceding year's budget and profit and loss statement of the *Bangko Sentral* showing in reasonable detail the result of its operations;
- (c) one hundred twenty (120) days after the end of each semester, a review of the state of the financial system; and
- (d) as soon as practicable, abnormal movements in monetary aggregates and the general price level, and, not later than seventy-two (72) hours after they are taken, remedial measures in response to such abnormal movements.

SECTION 40. *Annual Report.* — Before the end of **June** of each year, the *Bangko Sentral* shall publish and submit to the President and the Congress an annual report on the condition of the *Bangko Sentral* including a review of the policies and measures adopted by the Monetary Board during the past year and an analysis of the economic and financial circumstances which gave rise to said policies and measures.

The annual report shall also include a statement of the financial condition of the *Bangko Sentral* and a statistical appendix which shall present, as a minimum, the following data:

- (a) the monthly movement of monetary aggregates and their components;
- (b) the monthly movement of purchases and sales of foreign exchange and of the international reserves of the *Bangko Sentral*;
- (c) the balance of payments of the Philippines;

- (d) monthly indices of consumer prices and of import and export prices;
- (e) the monthly movement, in summary form, of exports and imports, by volume and value;
- (f) the monthly movement of the accounts of the *Bangko Sentral* and of other banks;
- (g) the principal data on government receipts and expenditures and on the status of the public debt, both domestic and foreign; and
- (h) the texts of the major legal and administrative measures adopted by the Government and the Monetary Board during the year which relate to the functions or operations of the *Bangko Sentral* or of the financial system.

The *Bangko Sentral* shall publish another version of the annual report in terms understandable to the layman.

SECTION 41. *Signatures on Statements.* — The balance sheets and other financial statements of the *Bangko Sentral* shall be signed by the officers responsible for their preparation, by the Governor, and by the auditor of the *Bangko Sentral*.

ARTICLE VI - PROFITS, LOSSES, AND SPECIAL ACCOUNTS

SECTION 42. *Fiscal Year.* — The fiscal year of the *Bangko Sentral* shall begin on January first and end on December thirty-first of each year.

SECTION 43. *Computation of Profits and Losses.* — Within the first **sixty (60)** days following the end of each year, the *Bangko Sentral* shall determine its net profits or losses. **Notwithstanding any provision of law to the contrary, the net profit of the *Bangko Sentral* shall be determined after allowing for expenses of operation, adequate allowances and provisions for bad and doubtful debts, depreciation in assets, and such allowances and provisions for contingencies or other purposes as the Monetary Board may determine in accordance with prudent financial management and effective central banking operations.**

SECTION 43-A. *Bangko Sentral Reserve Fund.* — The *Bangko Sentral* shall establish a reserve fund, whenever it has income or positive surplus, to mitigate future risks such as, but not limited to, the impacts of foreign exchange and price fluctuations, and to address other contingencies inherent in carrying out the *Bangko Sentral*-mandated functions as central monetary authority. The reserve fund shall consist of fluctuation reserve, contingency reserve and such other reserves as the Monetary Board deems prudent or necessary.

SECTION 44. *Distribution of Net Profits.* — Within the first sixty (60) days following the end of each fiscal year, the Monetary Board shall determine and carry out the distribution of the net profits, in accordance with the following rule:

Fifty percent (50%) of the net profits shall be carried to surplus and the remaining fifty percent (50%) shall revert back to the National Treasury, except as otherwise provided in the transitory provisions of this Act.

SECTION 45. *Revaluation Profits and Losses.* — **Unrealized** profits or losses arising from any revaluation of the *Bangko Sentral's* assets, liabilities or **derivative instruments denominated in** foreign currencies with respect to the **movements of prices and exchange rates from third currencies to** Philippine peso shall not be included in the computation of the annual profits and losses of the *Bangko Sentral*. Any profits or losses arising in this manner shall be offset by any amounts which, as a consequence of such revaluations, are owed by the Philippines to any international or regional intergovernmental financial institution of which the Philippines is a member or are owed by these institutions to the Philippines. Any remaining **unrealized** profit or loss shall be carried in **an** account which shall be named 'Revaluation of International Reserve (**RIR**)', and the net balance of which shall appear either among the liabilities or among the assets of the *Bangko Sentral*, depending on whether the revaluations have produced net profits or net losses.

The **RIR** account shall be credited or debited for the **periodic revaluation as authorized in this section and to reflect the corresponding adjustment resulting to reduction in the *Bangko Sentral's* net foreign assets, liabilities and foreign currency-denominated derivative instruments. The RIR shall be adjusted and recognized in the income statement upon sale of gold and foreign securities, or when the foreign currency is repatriated to local currency or is used to pay foreign obligations, or upon maturity of a foreign currency-denominated forward or option contract involving the Philippine peso.**

SECTION 46. *Suspense Accounts.* — Sections 43 and 43-A of Republic Act No. 265, as amended, creating the Monetary Adjustment Account (MAA) and the Exchange Stabilization Adjustment Account (ESAA), respectively, are hereby repealed. Amounts outstanding as of the effective date of this Act based on these accounts shall continue to be for the account of the Central Bank and shall be governed by the transitory provisions of this Act.

The Revaluation of International Reserve (RIR) account as of the effective date of this Act of the Central Bank shall continue to be for the account of the same entity and shall be governed by the provisions of Section 44 of Republic Act No. 265, as amended, until otherwise provided for in accordance with the transitory provisions of this Act.

ARTICLE VII - THE AUDITOR

SECTION 47. *Appointment and Personnel.* — The Chairman of the Commission on Audit shall act as the *ex officio* auditor of the *Bangko Sentral* and, as such, he is empowered and authorized to appoint a representative who shall be the auditor of the *Bangko Sentral* and, in accordance with law, fix his salary, and to appoint and fix salaries and number of personnel to assist said representative in his work. The salaries and other emoluments shall be paid by the Commission. The auditor of the *Bangko Sentral* and personnel under him may be removed only by the Chairman of the Commission.

The representative of the Chairman of the Commission must be a certified public accountant with at least ten (10) years experience as such. No relative of any member of the Monetary Board or the Chairman of the Commission within the sixth degree of consanguinity or affinity shall be appointed such representative.

CHAPTER II THE BANGKO SENTRAL AND THE MEANS OF PAYMENT

ARTICLE I - THE UNIT OF MONETARY VALUE

SECTION 48. *The Peso.* — The unit of monetary value in the Philippines is the “peso,” which is represented by the sign “P.”

The peso is divided into one hundred (100) equal parts called “centavos,” which are represented by the sign “c.”

ARTICLE II - ISSUE OF MEANS OF PAYMENT

A. CURRENCY

SECTION 49. *Definition of Currency.* — The word “currency” is hereby defined, for purposes of this Act, as meaning all Philippine notes and coins issued or circulating in accordance with the provisions of this Act.

SECTION 50. *Exclusive Issue Power.* — The *Bangko Sentral* shall have the sole power and authority to issue currency, within the territory of the Philippines. No other person or entity, public or private, may put into circulation notes, coins or any other object or document which, in the opinion of the Monetary Board, might circulate as currency, nor reproduce or imitate the facsimiles of *Bangko Sentral* notes without prior authority from the *Bangko Sentral*.

The Monetary Board may issue such regulations as it may deem advisable in order to prevent the circulation of foreign currency or of currency substitutes as well as to prevent the reproduction of facsimiles of *Bangko Sentral* notes.

The *Bangko Sentral* shall have the authority to investigate, make arrests, conduct searches and seizures in accordance with law, for the purpose of maintaining the integrity of the currency.

Violation of this provision or any regulation issued by the *Bangko Sentral* pursuant thereto shall constitute an offense punishable by imprisonment of not less than five (5) years but not more than ten (10) years. In case the Revised Penal Code provides for a greater penalty, then that penalty shall be imposed.

SECTION 51. *Liability for Notes and Coins.* — Notes and coins issued by the *Bangko Sentral* shall be liabilities of the *Bangko Sentral* and may be issued only against, and in amounts not exceeding, the assets of the *Bangko Sentral*. Said notes and coins shall be a first and paramount lien on all assets of the *Bangko Sentral*.

The *Bangko Sentral's* holdings of its own notes and coins shall not be considered as part of its currency issue and, accordingly, shall not form part of the assets or liabilities of the *Bangko Sentral*.

SECTION 52. *Legal Tender Power.* — All notes and coins issued by the *Bangko Sentral* shall be fully guaranteed by the Government of the Republic of the Philippines and shall be legal tender in the Philippines for all debts, both public and private: *Provided, however,* That, unless otherwise fixed by the Monetary Board, coins shall be legal tender in amounts not exceeding Fifty pesos (P50) for denominations of Twenty-five centavos and above, and in amounts not exceeding Twenty pesos (P20) for denominations of Ten centavos or less.

SECTION 53. *Characteristics of the Currency.* — The Monetary Board, with the approval of the President of the Philippines, shall prescribe the denominations, dimensions, designs, inscriptions and other characteristics of notes issued by the *Bangko Sentral*: *Provided, however,* That said notes shall state that they are liabilities of the *Bangko Sentral* and are fully guaranteed by the Government of the Republic of the Philippines. Said notes shall bear the signatures, in facsimile, of the President of the Philippines and of the Governor of the *Bangko Sentral*.

Similarly, the Monetary Board, with the approval of the President of the Philippines, shall prescribe the weight, fineness, designs, denominations and other characteristics of the coins issued by the *Bangko Sentral*. In the minting of coins, the Monetary Board shall give full consideration to the availability of suitable metals and to their relative prices and cost of minting.

SECTION 54. *Printing of Notes and Mining of Coins.* — The Monetary Board shall prescribe the amounts of notes and coins to be printed and minted, respectively, and the conditions to which the printing of notes and the minting of coins shall be subject. The Monetary Board shall have the authority to contract institutions, mints or firms for such operations.

All expenses incurred in the printing of notes and the minting of coins shall be for the account of the *Bangko Sentral*.

SECTION 55. *Interconvertibility of Currency.* — The *Bangko Sentral* shall exchange, on demand and without charge, Philippine currency of any denomination for Philippine notes and coins of any other denomination requested. If for any reason the *Bangko Sentral* is temporarily unable to provide notes or coins of the denominations requested, it shall meet its obligations by delivering notes and coins of the denominations which most nearly approximate those requested.

SECTION 56. *Replacement of Currency Unfit for Circulation.* — The *Bangko Sentral* shall withdraw from circulation and shall demonetize all notes and coins which for any reason whatsoever are unfit for circulation and shall replace them by adequate notes and coins: *Provided, however,* That the *Bangko Sentral* shall not replace notes and coins the identification of which is impossible, coins which show signs of filing, clipping or perforation, and notes which have lost more than two-fifths (2/5) of their surface or all of the signatures inscribed thereon. Notes and coins in such mutilated conditions shall be withdrawn from circulation and demonetized without compensation to the bearer.

SECTION 57. *Retirement of Old Notes and Coins.* — The *Bangko Sentral* may call in for replacement notes of any series or denomination which are more than five (5) years old and coins which are more than (10) years old.

Notes and coins called in for replacement in accordance with this provision shall remain legal tender for a period of one (1) year from the date of call. After this period, they shall cease to be legal tender but during the following year, or for such longer period as the Monetary Board may determine, they may be exchanged at par and without charge in the *Bangko Sentral* and by agents duly authorized by the *Bangko Sentral* for this purpose. After the expiration of this latter period, the notes and coins which have not been exchanged shall cease to be a liability of the *Bangko Sentral* and shall be demonetized. The *Bangko Sentral* shall also demonetize all notes and coins which have been called in and replaced.

B. DEMAND DEPOSITS

SECTION 58. *Definition.* — For purposes of this Act, the term “demand deposits” means all those liabilities of the *Bangko Sentral* and of other banks which are

denominated in Philippine currency and are subject to payment in legal tender upon demand by the presentation of checks.

SECTION 59. *Issue of Demand Deposits.* — Only banks duly authorized to do so may accept funds or create liabilities payable in pesos upon demand by the presentation of checks, and such operations shall be subject to the control of the Monetary Board in accordance with the powers granted it with respect thereto under this Act.

SECTION 60. *Legal Character.* — Checks representing demand deposits do not have legal tender power and their acceptance in the payment of debts, both public and private, is at the option of the creditor: *Provided, however,* That a check which has been cleared and credited to the account of the creditor shall be equivalent to a delivery to the creditor of cash in an amount equal to the amount credited to his account.

CHAPTER III

GUIDING PRINCIPLES OF MONETARY ADMINISTRATION BY THE BANGKO SENTRAL

ARTICLE I - DOMESTIC MONETARY STABILIZATION

SECTION 61. *Guiding Principle.* — The Monetary Board shall **regularly assess price developments and outlook and, based on its analysis and evaluation of inflationary pressures, use its policy instruments to attain and maintain price stability.**

SECTION 62. *Power to Define Terms.* — For purposes of this article and of this Act, the Monetary Board shall formulate definitions of monetary aggregates, credit and prices and shall make public such definitions and any changes thereof.

SECTION 63. *Action When Abnormal Movements Occur in the Price Level.* — Whenever abnormal movements in the prices endanger the stability of the Philippine economy or important sectors thereof, the Monetary Board shall:

- (a) take such remedial measures as are appropriate and within the powers granted to the Monetary Board and the *Bangko Sentral* under the provisions of this Act; and
- (b) submit to the President of the Philippines and the Congress, and make public, a detailed report which shall include, as a minimum, a description and analysis of:
 - (1) the causes of the rise or fall of prices;

- (2) the extent to which the changes in prices have been reflected in changes in the level of domestic output, employment, wages and economic activity in general, and the nature and significance of any such changes; and
- (3) the measures which the Monetary Board has taken and the other monetary, fiscal or administrative measures which it recommends to be adopted.

Whenever the cost of living index increases by more than ten percent (10%), in relation to the level existing at the end of the corresponding month of the preceding year, or even though **this** quantitative guideline **has** not been reached when in its judgment the circumstances so warrant, the Monetary Board shall submit the reports mentioned in this section, and shall state therein whether, in the opinion of the Board, said changes in the cost of living represent a threat to the stability of the Philippine economy or of important sectors thereof.

The Monetary Board shall continue to submit periodic reports to the President of the Philippines and to Congress until it considers that the price disturbances have disappeared or have been adequately controlled.

ARTICLE II - INTERNATIONAL MONETARY STABILIZATION

SECTION 64. *International Monetary Stabilization.* — The *Bangko Sentral* shall exercise its powers under this Act to preserve the international value of the peso and to maintain its convertibility into other freely convertible currencies primarily for, although not necessarily limited to, current payments for foreign trade and invisibles.

SECTION 65. *International Reserves.* — In order to maintain the international stability and convertibility of the Philippine peso, the *Bangko Sentral* shall maintain international reserves adequate to meet any foreseeable net demands on the *Bangko Sentral* for foreign currencies.

In judging the adequacy of the international reserves, the Monetary Board shall be guided by the prospective receipts and payments of foreign exchange by the Philippines. The Board shall give special attention to the volume and maturity of the *Bangko Sentral's* own liabilities in foreign currencies, to the volume and maturity of the foreign exchange assets and liabilities of other banks operating in the Philippines and, insofar as they are known or can be estimated, the volume and maturity of the foreign exchange assets and liabilities of all other persons and entities in the Philippines.

SECTION 66. *Composition of the International Reserves.* — The international reserves of the *Bangko Sentral* may include but shall not be limited to the following assets:

- (a) gold; and
- (b) assets in foreign currencies in the form of: documents and instruments customarily employed for the international transfer of funds; demand and time deposits in central banks, treasuries and commercial banks abroad; foreign government securities; and foreign notes and coins.

The Monetary Board shall endeavor to hold the foreign exchange resources of the *Bangko Sentral* in freely convertible currencies. The Monetary Board shall issue regulations determining the other qualifications which foreign exchange assets must meet in order to be included in the international reserves of the *Bangko Sentral*.

The *Bangko Sentral* shall be free to convert any of the assets in its international reserves into other assets as described in subsections (a) and (b) of this section.

SECTION 67. *Action When the International Stability of the Peso Is Threatened.* — Whenever the international reserve of the *Bangko Sentral* falls to a level which the Monetary Board considers inadequate to meet prospective net demands on the *Bangko Sentral* for foreign currencies, or whenever the international reserve appears to be in imminent danger of falling to such a level, or whenever the international reserve is falling as a result of payments or remittances abroad which, in the opinion of the Monetary Board, are contrary to the national welfare, the Monetary Board shall:

- (a) take such remedial measures as are appropriate and within the powers granted to the Monetary Board and the *Bangko Sentral* under the provisions of this Act; and
- (b) submit to the President of the Philippines and to Congress a detailed report which shall include, as a minimum, a description and analysis of:
 - (1) the nature and causes of the existing or imminent decline;
 - (2) the remedial measures already taken or to be taken by the Monetary Board;
 - (3) the monetary, fiscal or administrative measures further proposed; and

- (4) the character and extent of the cooperation required from other government agencies for the successful execution of the policies of the Monetary Board.

If the resultant actions fail to check the deterioration of the reserve position of *the Bangko Sentral*, or if the deterioration cannot be checked except by chronic restrictions on exchange and trade transactions or by sacrifice of the domestic objectives of a balanced and sustainable growth of the economy, the Monetary Board shall propose to the President, with appropriate notice of the Congress, such additional action as it deems necessary to restore equilibrium in the international balance of payments of the Philippines.

The Monetary Board shall submit periodic reports to the President and to Congress until the threat to the international monetary stability of the Philippines has disappeared.

CHAPTER IV INSTRUMENTS OF BANGKO SENTRAL ACTION

ARTICLE I – GENERAL CRITERION

SECTION 68. *Means of Action.* — In order to achieve the primary objective of price stability, the Monetary Board shall rely on its moral influence and the powers granted to it under this Act for the management of monetary aggregates.

ARTICLE II - OPERATIONS IN GOLD AND FOREIGN EXCHANGE

SECTION 69. *Purchases and Sales of Gold.* — The *Bangko Sentral* may buy and sell gold in any form, subject to such regulations as the Monetary Board may issue.

The purchases and sales of gold authorized by this section shall be made in the national currency at the prevailing international market price as determined by the Monetary Board.

SECTION 70. *Purchases and Sales of Foreign Exchange.* — The *Bangko Sentral* may buy and sell foreign notes and coins, and documents and instruments of types customarily employed for the international transfer of funds. The *Bangko Sentral* may engage in future exchange operations.

The *Bangko Sentral* may engage in foreign exchange transactions with the following entities or persons only:

- (a) banking institutions operating in the Philippines;
- (b) the Government, its political subdivisions and instrumentalities;
- (c) foreign or international financial institutions;
- (d) foreign governments and their instrumentalities; and
- (e) other entities or persons which the Monetary Board is hereby empowered to authorize as foreign exchange dealers, subject to such rules and regulations as the Monetary Board shall prescribe.

In order to maintain the convertibility of the peso, the *Bangko Sentral* may, at the request of any banking institution operating in the Philippines, buy any quantity of foreign exchange offered, and sell any quantity of foreign exchange demanded, by such institution, provided that the foreign currencies so offered or demanded are freely convertible into gold or United States dollars. This requirement shall not apply to demands for foreign notes and coins.

The *Bangko Sentral* shall effect its exchange transactions between foreign currencies and the Philippine peso at the rates determined in accordance with the provisions of Section 74 of this Act.

SECTION 71. *Foreign Asset Position of the Bangko Sentral.* — The *Bangko Sentral* shall endeavor to maintain at all times a net positive foreign asset position so that its gross foreign exchange assets will always exceed its gross foreign liabilities. In the event that the equivalent amount in pesos of the foreign exchange liabilities of the *Bangko Sentral* exceed twice the equivalent amount in pesos of the foreign exchange assets of the bank, the *Bangko Sentral* shall, within sixty (60) days from the date the limit is exceeded, submit a report to the Congress stating the origin of these liabilities, and the manner in which they will be paid.

SECTION 72. *Emergency Restrictions on Exchange Operations.* — In order to achieve the primary objective of the *Bangko Sentral* as set forth in Section 3 of this Act, or protect the international reserves of the *Bangko Sentral* in the imminence of, or during an exchange crisis, or in time of national emergency and to give the Monetary Board and the Government time in which to take constructive measures to forestall, combat, or overcome such a crisis or emergency, the Monetary Board, with the concurrence of at least five (5) of its members and with the approval of the President of the Philippines, may temporarily suspend or restrict sales of exchange by the *Bangko Sentral*, and may subject all transactions in gold and foreign exchange to license by the *Bangko Sentral*, and may require that any foreign exchange thereafter obtained by any person residing or entity operating in the Philippines be delivered to the *Bangko Sentral* or to any bank or agent designated by the *Bangko Sentral* for the purpose, at the effective exchange rate

or rates: *Provided, however,* That foreign currency deposits made under Republic Act No. 6426 shall be exempt from these requirements.

SECTION 73. *Acquisition of Inconvertible Currencies.* — The *Bangko Sentral* shall avoid the acquisition and holding of currencies which are not freely convertible, and may acquire such currencies in an amount exceeding the minimum balance necessary to cover current demands for said currencies only when, and to the extent that, such acquisition is considered by the Monetary Board to be in the national interest. The Monetary Board shall determine the procedures which shall apply to the acquisition and disposition by the *Bangko Sentral* of foreign exchange which is not freely utilizable in the international market.

SECTION 74. *Exchange Rates.* — The Monetary Board shall determine the exchange rate policy of the country.

The Monetary Board shall determine the rates at which the *Bangko Sentral* shall buy and sell spot exchange, and shall establish deviation limits from the effective exchange rate or rates as it may deem proper. The *Bangko Sentral* shall not collect any additional commissions or charges of any sort, other than actual telegraphic or cable costs incurred by it.

The Monetary Board shall similarly determine the rates for other types of foreign exchange transactions by the *Bangko Sentral*, including purchases and sales of foreign notes and coins, but the margins between the effective exchange rates and the rates thus established may not exceed the corresponding margins for spot exchange transactions by more than the additional costs or expenses involved in each type of transactions.

SECTION 75. *Operations with Foreign Entities.* — The Monetary Board may authorize the *Bangko Sentral* to grant loans to and receive loans from foreign banks and other foreign or international entities, both public and private, and may engage in such other operations with these entities as are in the national interest and are appropriate to its character as a central bank. The *Bangko Sentral* may also act as agent or correspondent for such entities.

Upon authority of the Monetary Board, the *Bangko Sentral* may pledge any gold or other assets which it possesses as security against loans which it receives from foreign or international entities.

ARTICLE III - REGULATIONS OF FOREIGN EXCHANGE OPERATIONS OF THE BANKS

SECTION 76. *Foreign Exchange Holdings of the Banks.* — In order that the *Bangko Sentral* may at all times have foreign exchange resources sufficient to enable it to maintain the international stability and convertibility of the peso, or

in order to promote the domestic investment of bank resources, the Monetary Board may require the banks to sell to the *Bangko Sentral* or to other banks all or part of their surplus holdings of foreign exchange. Such transfers may be required for all foreign currencies or for only certain of such currencies, according to the decision of the Monetary Board. The transfers shall be made at the rates established under the provisions of Section 74 of this Act.

The Monetary Board may, whenever warranted, determine the net assets and net liabilities of banks and shall, in making such a determination, take into account the bank's networth, outstanding liabilities, actual and contingent, or such other financial or performance ratios as may be appropriate under the circumstances. Any such determination of net assets and net liabilities shall be applied in all banks uniformly and without discrimination.

SECTION 77. *Requirement of Balanced Currency Position.* — The Monetary Board may require the banks to maintain a balanced position between their assets and liabilities in Philippine pesos or in any other currency or currencies in which they operate. The banks shall be granted a reasonable period of time in which to adjust their currency positions to any such requirement.

The powers granted under this section shall be exercised only when special circumstances make such action necessary, in the opinion of the Monetary Board, and shall be applied to all banks alike and without discrimination.

SECTION 78. *Regulation of Non-spot Exchange Transactions.* — In order to restrain the banks from taking speculative positions with respect to future fluctuations in foreign exchange rates, the Monetary Board may issue such regulations governing bank purchases and sales of non-spot exchange as it may consider necessary for said purpose.

SECTION 79. *Other Exchange Profits and Losses.* — The banks shall bear the risks of non-compliance with the terms of the foreign exchange documents and instruments which they buy and sell, and shall also bear any other typically commercial or banking risks, including exchange risks not assumed by the *Bangko Sentral* under the provisions of the preceding section.

SECTION 80. *Information on Exchange Operations.* — The banks shall report to the *Bangko Sentral* the volume and composition of their purchases and sales of gold and foreign exchange each day, and must furnish such additional information as the *Bangko Sentral* may request with reference to the movements in their accounts in foreign currencies.

The Monetary Board may also require other persons and entities to report to it currently all transactions or operations in gold, in any shape or form, and in foreign

exchange whether entered into or undertaken by them directly or through agents, or to submit such data as may be required on operations or activities giving rise to or in connection with or relating to a gold or foreign exchange transaction. The Monetary Board shall prescribe the forms on which such declarations must be made. The accuracy of the declarations may be verified by the *Bangko Sentral* by whatever inspection it may deem necessary.

ARTICLE IV - LOANS TO BANKING AND OTHER FINANCIAL INSTITUTIONS

A. CREDIT POLICY

SECTION 81. *Guiding Principles.* — The rediscounts, discounts, loans and advances which the *Bangko Sentral* is authorized to extend to banking institutions, under the provisions of the present article of this Act shall be used to influence the volume of credit consistent with the objective of price stability **and maintenance of financial stability**.

B. NORMAL CREDIT OPERATIONS

SECTION 82. *Authorized Types of Operations.* — Subject to the principle stated in the preceding section of this Act, the *Bangko Sentral* may normally and regularly carry on the following credit operations with banking institutions operating in the Philippines:

- (a) Commercial credits. — The *Bangko Sentral* may rediscount, discount, buy and sell bills, acceptances, promissory notes and other credit instruments with maturities of not more than one hundred eighty (180) days from the date of their rediscount, discount or acquisition by the *Bangko Sentral* and resulting from transactions related to:
 - (1) the importation, exportation, purchase or sale of readily saleable goods and products, or their transportation within the Philippines; or
 - (2) the storing of non-perishable goods and products which are duly insured and deposited, under conditions assuring their preservation, in authorized bonded warehouses or in other places approved by the Monetary Board.
- (b) Production credits. — The *Bangko Sentral* may rediscount, discount, buy and sell bills, acceptances, promissory notes and other credit instruments having maturities of not more than three hundred sixty (360) days from

the date of their rediscount, discount or acquisition by the *Bangko Sentral* and resulting from transactions related to the production or processing of agricultural, animal, mineral, or industrial products. Documents or instruments acquired in accordance with this subsection shall be secured by a pledge of the respective crops or products: *Provided, however*, That the crops or products need not be pledged to secure the documents if the original loan granted by the *Bangko Sentral* is secured by a lien or mortgage on real estate property seventy percent (70%) of the appraised value of which equals or exceeds the amount of the loan granted.

- (c) Other credits. — Special credit instruments not otherwise rediscountable under the immediately preceding subsections (a) and (b) may be eligible for rediscounting in accordance with rules and regulations which the *Bangko Sentral* shall prescribe. Whenever necessary, the *Bangko Sentral* shall provide funds from non-inflationary sources: *Provided, however*, That the Monetary Board shall prescribe additional safeguards for disbursing these funds.
- (d) Advances. — The *Bangko Sentral* may grant advances against the following kinds of collaterals for fixed periods which, with the exception of advances against collateral named in clause (4) of the present subsection, shall not exceed one hundred eighty (180) days:
 - (1) gold coins or bullion;
 - (2) securities representing obligations of the *Bangko Sentral* or of other domestic institutions of recognized solvency;
 - (3) the credit instruments to which reference is made in subsection (a) of this section;
 - (4) the credit instruments to which reference is made in subsection (b) of this section, for periods which shall not exceed three hundred sixty (360) days;
 - (5) utilized portions of advances in current amount covered by regular overdraft agreements related to operations included under subsections (a) and (b) of this section, and certified as to amount and liquidity by the institution soliciting the advance;
 - (6) negotiable treasury bills, certificates of indebtedness, notes and other negotiable obligations of the Government maturing within three (3) years from the date of the advance; and

- (7) negotiable bonds issued by the Government of the Philippines, by Philippine provincial, city or municipal governments, or by any Philippine Government instrumentality, and having maturities of not more than ten (10) years from the date of advance.

The rediscounts, discounts, loans and advances made in accordance with the provisions of this section may not be renewed or extended unless extraordinary circumstances fully justify such renewal or extension.

Advances made against the collateral named in clauses (6) and (7) of subsection (d) of this section may not exceed eighty percent (80%) of the current market value of the collateral.

C. SPECIAL CREDIT OPERATION

SECTION 83. *Loans for Liquidity Purposes.* — The *Bangko Sentral* may extend loans and advances to banking institutions for a period of not more than seven (7) days without any collateral for the purpose of providing liquidity to the banking system in times of need.

D. EMERGENCY CREDIT OPERATION

SECTION 84. *Emergency Loans and Advances.* — In periods of national and/or local emergency or of imminent financial panic which directly threaten monetary and **financial** stability, the Monetary Board may, by a vote of at least five (5) of its members, authorize the *Bangko Sentral* to grant extraordinary loans or advances to banking institutions, secured by assets as defined hereunder: *Provided*, That while such loans or advances are outstanding, the debtor institution shall not, except upon prior authorization by the Monetary Board, expand the total volume of its loans or investments.

The Monetary Board may, at its discretion, likewise authorize the *Bangko Sentral* to grant emergency loans or advances to banking institutions, even during normal periods, for the purpose of assisting a bank in a precarious financial condition or under serious financial pressures brought by unforeseen events, or events which, though foreseeable, could not be prevented by the bank concerned: *Provided, however*, That the Monetary Board has ascertained that the bank is not insolvent and has the assets defined hereunder to secure the advances: *Provided, further*, That a concurrent vote of at least five (5) members of the Monetary Board is obtained.

The amount of any emergency loan or advance shall not exceed the sum of fifty percent (50%) of total deposits and deposit substitutes of the banking institution, and shall be disbursed in two (2) or more tranches. The amount of the first tranche

shall be limited to twenty-five percent (25%) of the total deposit and deposit substitutes of the institution and shall be secured by **(a) government securities; (b) acceptable guarantees backed up by the national government or its securities; (c) other unencumbered first class collaterals; and (d) other kinds of collaterals as may be authorized by the Monetary Board in accordance with sound risk management principles:** *Provided,* That if as determined by the Monetary Board, the circumstances surrounding the emergency warrant a loan or advance greater than the amount provided hereinabove, the amount of the first tranche may exceed twenty-five percent (25%) of the bank's total deposit and deposit substitutes if the same is adequately secured by **any of the collaterals set forth above as** approved by the Monetary Board, and the principal stockholders of the institution furnish an acceptable undertaking to indemnify and hold harmless from suit a conservator whose appointment the Monetary Board may find necessary at any time.

Prior to the release of the first tranche, the banking institution shall submit to the *Bangko Sentral* a resolution of its board of directors authorizing the *Bangko Sentral* to evaluate other assets of the banking institution certified by its external auditor to be good and available for collateral purposes should the release of the subsequent tranche be thereafter applied for.

The Monetary Board may, by a vote of at least five (5) of its members, authorize the release of a subsequent tranche on condition that the principal stockholders of the institution:

- (a) furnish an acceptable undertaking to indemnify and hold harmless from suit a conservator whose appointment the Monetary Board may find necessary at any time; and
- (b) provide acceptable security which, in the judgment of the Monetary Board, would be adequate to supplement, where necessary, the assets tendered by the banking institution to collateralize the subsequent tranche.

In connection with the exercise of these powers, the prohibitions in Section 128 of this Act shall not apply insofar as it refers to acceptance as collateral of shares and their acquisition as a result of foreclosure proceedings, including the exercise of voting rights pertaining to said shares: *Provided, however,* That should the *Bangko Sentral* acquire any of the shares it has accepted as collateral as a result of foreclosure proceedings, the *Bangko Sentral* shall dispose of said shares by public bidding within one (1) year from the date of consolidation of title by the *Bangko Sentral*.

Whenever a financial institution incurs an overdraft in its account with the *Bangko Sentral*, the same shall be eliminated within the period prescribed in Section 102 of this Act.

E. CREDIT TERMS

SECTION 85. *Interest and Rediscount.* — The *Bangko Sentral* shall collect interest and other appropriate charges on all loans and advances it extends, the closure, receivership or liquidations of the debtor-institution notwithstanding. This provision shall apply prospectively.

The Monetary Board shall fix the interest and rediscount rates to be charged by the *Bangko Sentral* on its credit operations in accordance with the character and term of the operation, but after due consideration has been given to the credit needs of the market, the composition of the *Bangko Sentral's* portfolio, and the general requirements of the national monetary policy. Interest and rediscount rates shall be applied to all banks of the same category uniformly and without discrimination.

SECTION 86. *Endorsement.* — The documents rediscounted, discounted, bought or accepted as collateral by the *Bangko Sentral* in the course of the credit operations authorized in this article shall bear the endorsement of the institution from which they are received.

SECTION 87. *Repayment of Credits.* — Documents rediscounted, discounted or accepted as collateral by the *Bangko Sentral* must be withdrawn by the borrowing institution on the dates of their maturities, or upon liquidation of the obligations which they represent or to which they relate whenever said obligations have been liquidated prior to their dates of maturity.

Banks shall have the right at any time to withdraw any documents which they have presented to the *Bangko Sentral* as collateral, upon payment in full of the corresponding debt to the *Bangko Sentral*, including interest charges.

SECTION 88. *Other requirements.* — The Monetary Board may prescribe, within the general powers granted to it under this Act, additional conditions which borrowing institutions must satisfy in order to have access to the credit of the *Bangko Sentral*. These conditions may refer to the rates of interest charged by the banks, to the purposes for which their loans in general are destined, and to any other clearly definable aspect of the credit policy of the bank.

SECTION 88-A. *Exemption of Collaterals from Attachments, Executions and Other Restrictions.* — Collaterals on loans and advances granted by the *Bangko Sentral*, whether or not the interest of the *Bangko Sentral* is registered, shall not be subject to attachment, execution or any other court process or administrative restrictions on land use, nor shall they be included in the property of insolvent persons or institutions.

SECTION 88-B. *Deputization of Legal Staff in Case of Foreclosures.* — In case of an extrajudicial foreclosure of mortgage in connection with loans and advances under this article, the *Bangko Sentral* may deputize any of its lawyers to conduct the public auction pursuant to Act No. 3135, as amended.

Likewise, in case of a judicial foreclosure in connection with loans and advances under this article, the *Bangko Sentral* may, with the approval of the court, deputize any of its lawyers to act as special sheriff in the sale of a debtor's properties and in the enforcement of court writs and processes related thereto. The special sheriff of the *Bangko Sentral* shall make a report to the proper court after any action has been taken by him, which court shall treat such action as if it were an act of its own sheriff in all respects.

No restraining order or injunction shall be issued by the court enjoining the *Bangko Sentral* from proceeding with the foreclosure of the mortgage unless a bond is posted in favor of the *Bangko Sentral* in an amount equivalent to the total claim of the *Bangko Sentral*. The restraining order or injunction shall be refused or, if granted, shall be dissolved upon filing by the *Bangko Sentral* of a bond, which shall be in the form of a *Bangko Sentral* check, in an amount twice the amount of the original bond posted conditioned that the *Bangko Sentral* will pay the damages which the party may suffer by the refusal or dissolution of the injunction. The provisions of the Rules of Court on injunctions insofar as they are applicable and not inconsistent with the provisions of this section shall govern the issuance and dissolution of the restraining order or injunction contemplated in this section.

SECTION 88-C. *Right of Redemption of Foreclosed Real Property; Right of Possession During Redemption Period.* — In the event of foreclosure, whether judicially or extrajudicially, the mortgagor, who is a natural person, shall have the right to redeem the property within one (1) year from the date of foreclosure sale. In case the mortgagor is a juridical person, the mortgagor shall have the right to redeem the property sold in a judicial foreclosure sale within one (1) year from the date of foreclosure sale: *Provided*, That in case of an extrajudicial foreclosure, notwithstanding Act No. 3135, the mortgagor shall have the right to redeem the property sold within ninety (90) days from the foreclosure sale but not later than the registration of the certificate of foreclosure sale. Redemption shall be effected by paying the principal, interests, charges, commissions and all claims of whatever nature of the *Bangko Sentral* outstanding and due as of the date of foreclosure sale, including all costs and other expenses incurred by reason of the foreclosure sale and custody of the property.

The ***Bangko Sentral***, as purchaser in the foreclosure sale and without need of posting a bond, may take possession of the foreclosed property during the redemption period. The ***Bangko Sentral*** shall be entitled to the fruits of the property, the same to be applied against the redemption price.

SECTION 88-D. *Unsecured Bangko Sentral Claims.* — All unsecured claims of the ***Bangko Sentral*** shall be considered preferred credits similar to taxes due to the National Government in the order of preference under Article 2244 of the new Civil Code.

SECTION 89. *Provisional Advances to the National Government.* — The ***Bangko Sentral*** may make direct provisional advances with or without interest to the National Government to finance expenditures authorized in its annual appropriation: *Provided*, That said advances shall be repaid before the end of three (3) months extendible by another three (3) months as the Monetary Board may allow following the date the National Government received such provisional advances and shall not, in their aggregate, exceed twenty percent (20%) of the average annual income of the borrower for the last three (3) preceding fiscal years.

SECTION 89-A. *Financial Facilities for Islamic Banks.* — The ***Bangko Sentral*** may, taking into consideration the peculiar characteristics of islamic banking, formulate rules and regulations for the extension of financial facilities to islamic banks: *Provided*, That such exposures shall be properly secured.

SECTION 89-B. *Loans to the Philippine Deposit Insurance Corporation (PDIC).* — The ***Bangko Sentral***, pursuant to its mandate of maintaining financial stability, may lend funds to the PDIC for insurance purposes and in cases of financial assistance that the latter is authorized to extend under Section 22(e) of Republic Act No. 3591, as amended. Notwithstanding Section 23 of Republic Act No. 3591, as amended, the Monetary Board shall prescribe interest rates and such other terms and conditions of the loan.

ARTICLE V - OPEN MARKET OPERATIONS FOR THE ACCOUNT OF THE BANGKO SENTRAL

SECTION 90. *Principles of Open Market Operations.* — The open market purchases and sales of securities by the ***Bangko Sentral*** shall be made exclusively in accordance with its primary objective of achieving price stability.

SECTION 91. *Purchases and Sales of Government Securities.* — In order to achieve the objectives of the national monetary policy, the ***Bangko Sentral*** may, in accordance with the principle stated in Section 90 of this Act and with such rules

and regulations as may be prescribed by the Monetary Board, buy and sell in the open market for its own account:

- (a) evidences of indebtedness issued directly by the Government of the Philippines or by its political subdivisions; and
- (b) evidences of indebtedness issued by government instrumentalities and fully guaranteed by the Government.

The evidences of indebtedness acquired under the provisions of this section must be freely negotiable and regularly serviced and must be available to the general public through banking institutions and local government treasuries in denominations of a thousand pesos or more.

SECTION 92. *Issue and Negotiation of Bangko Sentral Obligations.* — In order to provide the *Bangko Sentral* with effective instruments for open market operations, the *Bangko Sentral* may, subject to such rules and regulations as the Monetary Board may prescribe and in accordance with the principles stated in Section 90 of this Act, issue, place, buy and sell freely negotiable evidences of indebtedness of the *Bangko Sentral*. Said evidences of indebtedness may be issued directly against the international reserve of the *Bangko Sentral* or against the securities which it has acquired under the provisions of Section 91 of this Act, or may be issued without relation to specific types of assets of the *Bangko Sentral*.

The Monetary Board shall determine the interest rates, maturities and other characteristics of said obligations of the *Bangko Sentral*, and may, if it deems it advisable, denominate the obligations in gold or foreign currencies.

Subject to the principles stated in Section 90 of this Act, the evidences of indebtedness of the *Bangko Sentral* to which this section refers may be acquired by the *Bangko Sentral* before their maturity, either through purchases in the open market or through redemptions at par and by lot if the *Bangko Sentral* has reserved the right to make such redemptions. The evidences of indebtedness acquired or redeemed by the *Bangko Sentral* shall not be included among its assets, and shall be immediately retired and cancelled.

ARTICLE VI - COMPOSITION OF BANGKO SENTRAL'S PORTFOLIO

SECTION 93. *Review of the Bangko Sentral's Portfolio.* — At least once every month the Monetary Board shall review the portfolio of the *Bangko Sentral* in relation to its future credit policy.

In reviewing the *Bangko Sentral's* portfolio, the Monetary Board shall especially consider whether a sufficiently large part of the portfolio consists of assets with

early maturities, in order that a contraction in *Bangko Sentral* credit may be effected promptly whenever the national monetary policy so requires.

ARTICLE VII - BANK RESERVES

SECTION 94. *Reserve Requirements.* — In order to control the volume of money created by the credit operations of the banking system, all banks operating in the Philippines shall be required to maintain reserves against their deposit liabilities: *Provided*, That the Monetary Board may, at its discretion, also require all banks and/or quasi-banks to maintain reserves against funds held in trust and liabilities for deposit substitutes as defined in this Act. The required reserves of each bank shall be proportional to the volume of its deposit liabilities and shall ordinarily take the form of a deposit in the *Bangko Sentral*. Reserve requirements shall be applied to all banks of the same category uniformly and without discrimination.

Reserves against deposit substitutes, if imposed, shall be determined in the same manner as provided for reserve requirements against regular bank deposits, with respect to the imposition, increase, and computation of reserves.

The Monetary Board may exempt from reserve requirements deposits and deposit substitutes with remaining maturities of two (2) years or more, as well as interbank borrowings.

Since the requirement to maintain bank reserves is imposed primarily to control the volume of money, the *Bangko Sentral* shall not pay interest on the reserves maintained with it unless the Monetary Board decides otherwise as warranted by circumstances.

SECTION 95. *Definition of Deposit Substitutes.* — The term ‘deposit substitutes’ is defined as an alternative form of obtaining funds from the public, other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrower’s own account, for the purpose of relending or purchasing of receivables and other obligations. These instruments may include, but need not be limited to, bankers acceptances, promissory notes, participations, certificates of assignment and similar instruments with recourse, and repurchase agreements. **The phrase ‘obtaining funds from the public’ shall mean borrowing from twenty (20) or more lenders at any one time, and, for this purpose, ‘lenders’ shall refer to individuals and corporate entities that are not acting as financial intermediaries, subject to the safeguards and regulations issued by the Monetary Board.** The Monetary Board shall determine what specific instruments shall be considered as deposit substitutes for the purposes of Section 94 of this Act: *Provided, however*, That deposit substitutes of commercial, industrial and other nonfinancial companies for the limited purpose of financing their own needs or the needs of their agents or dealers shall not be covered by the provisions of Section 94 of this Act.

SECTION 96. *Required Reserves Against Peso Deposits.* — The Monetary Board may fix and, when it deems necessary, alter the minimum reserve ratios to peso deposits, as well as to deposit substitutes, which each bank and/or quasi-bank may maintain, and such ratio shall be applied uniformly to all banks of the same category as well as to quasi-banks.

SECTION 97. *Required Reserves Against Foreign Currency Deposits.* — The Monetary Board is similarly authorized to prescribe and modify the minimum reserve ratios applicable to deposits denominated in foreign currencies.

SECTION 98. *Reserves Against Unused Balances of Overdraft Lines.* — In order to facilitate *Bangko Sentral* control over the volume of bank credit, the Monetary Board may establish minimum reserve requirements for unused balances of overdraft lines.

The powers of the Monetary Board to prescribe and modify reserve requirements against unused balances of overdraft lines shall be the same as its powers with respect to reserve requirements against demand deposits.

SECTION 99. *Increase in Reserve Requirements.* — Whenever in the opinion of the Monetary Board it becomes necessary to increase reserve requirements against existing liabilities, the increase shall be made in a gradual manner and shall not exceed four percentage points in any thirty-day period. Banks and other affected financial institutions shall be notified reasonably in advance of the date on which such increase is to become effective.

SECTION 100. *Computation on Reserves.* — The reserve position of each bank or quasi-bank shall be calculated daily on the basis of the amount, at the close of business for the day, of the institution's reserves and the amount of its liability accounts against which reserves are required to be maintained: *Provided*, That with reference to holidays or non-banking days, the reserve position as calculated at the close of the business day immediately preceding such holidays and non-banking days shall apply on such days.

For the purpose of computing the reserve position of each bank or quasi-bank, its principal office in the Philippines and all its branches and agencies located therein shall be considered as a single unit.

SECTION 101. *Reserve Deficiencies.* — Whenever the reserve position of any bank or quasi-bank, computed in the manner specified in the preceding section of this Act, is below the required minimum, the bank or quasi-bank shall pay the ***Bangko Sentral monetary penalty as may be prescribed by the Monetary Board***: *Provided, however*, That banks and quasi-banks shall ordinarily be permitted to offset any reserve deficiency occurring on one or more days of the

week with any excess reserves which they may hold on other days of the same week and shall be required to pay the penalty **in accordance with the mechanism approved by the Monetary Board**. In cases of abuse, the Monetary Board may deny any bank or quasi-bank the privilege of offsetting reserve deficiencies in the aforesaid manner.

If a bank or quasi-bank chronically has a reserve deficiency, the Monetary Board may limit or prohibit the making of new loans or investments by the institution and may require that part or all of the net profits of the institution be assigned to surplus.

The Monetary Board may modify or set aside the reserve deficiency penalties provided in this section, for part or the entire period of a strike or lockout affecting a bank or a quasi-bank as defined in the Labor Code, or of a national emergency affecting operations of banks or quasi-banks, **or in such other instances where the grant of waiver of penalties is determined by the Monetary Board to be justifiable**. The Monetary Board may also modify or set aside reserve deficiency penalties for rehabilitation program of a bank.

SECTION 102. *Interbank Settlement*. — The *Bangko Sentral* shall establish facilities for interbank clearing under such rules and regulations as the Monetary Board may prescribe: *Provided*, That the *Bangko Sentral* may charge administrative and other fees for the maintenance of such facilities.

The deposit reserves maintained by the banks in the *Bangko Sentral* in accordance with the provisions of Section 94 of this Act shall serve as basis for the clearing of checks and the settlement of interbank balances, subject to such rules and regulations as the Monetary Board may issue with respect to such operations: *Provided*, That any bank which incurs on overdrawing in its deposit account with the *Bangko Sentral* shall fully cover said overdraft, including interest thereon at a rate equivalent to one-tenth of one percent (1/10 of 1%) per day or the prevailing ninety-one-day treasury bill rate plus three percentage points, whichever is higher, not later than the next clearing day: *Provided, further*, That settlement of clearing balances shall not be effected for any account which continues to be overdrawn for five (5) consecutive banking days until such time as the overdrawing is fully covered or otherwise converted into an emergency loan or advance pursuant to the provisions of Section 84 of this Act: *Provided*, finally, That the appropriate clearing office shall be officially notified of banks with overdrawn balances. Banks with existing overdrafts with the *Bangko Sentral* as of the effectivity of this Act shall, within such period as may be prescribed by the Monetary Board, either convert the overdraft into an emergency loan or advance with a plan of payment, or settle such overdrafts, and that, upon failure to so comply herewith, the *Bangko Sentral* shall take such action against the bank as may be warranted under this Act.

SECTION 103. *Exemption from Attachment and Other Purposes.* — Deposits maintained by banks with the *Bangko Sentral* as part of their reserve requirements shall be exempt from attachment, garnishments, or any other order or process of any court, government agency or any other administrative body issued to satisfy the claim of a party other than the Government, or its political subdivisions or instrumentalities.

ARTICLE VIII - SELECTIVE REGULATION OF BANK OPERATIONS

SECTION 104. *Guiding Principle.* — The Monetary Board shall use the powers granted to it under this Act to ensure that the supply, availability and cost of money are in accord with the needs of the Philippine economy and that bank credit is not granted for speculative purposes prejudicial to the national interests. Regulations on bank operations shall be applied to all banks of the same category, **as may be defined by the Monetary Board**, uniformly and without discrimination.

SECTION 105. *Margin Requirements Against Letters of Credit.* — The Monetary Board may at any time prescribe minimum cash margins for the opening of letters of credit, and may relate the size of the required margin to the nature of the transaction to be financed.

SECTION 106. *Required Security Against Bank Loans.* — In order to promote liquidity and solvency of the banking system, the Monetary Board may issue such regulations as it may deem necessary with respect to the maximum permissible maturities of the loans and investments which the banks may make, and the kind and amount of security to be required against the various types of credit operations of the banks.

SECTION 107. *Portfolio Ceilings.* — Whenever the Monetary Board considers it advisable to prevent or check an expansion of bank credit, the Board may place an upper limit on the amount of loans and investments which the banks may hold, or may place a limit on the rate of increase of such assets within specified periods of time. The Monetary Board may apply such limits to the loans and investments of each bank or to specific categories thereof.

In no case shall the Monetary Board establish limits which are below the value of the loans or investments of the banks on the date on which they are notified of such restrictions. The restrictions shall be applied to all banks uniformly and without discrimination.

SECTION 108. *Minimum Capital Ratios.* — The Monetary Board may prescribe minimum **risk-based capital adequacy ratios based on internationally accepted standards** and may alter said ratios whenever it deems necessary. **In the exercise of its authority under this section, the Monetary Board**

may require banks to hold capital beyond the minimum requirements commensurate to their risk profile.

ARTICLE IX - COORDINATION OF CREDIT POLICIES BY GOVERNMENT INSTITUTIONS

SECTION 109. *Coordination of Credit Policies.* — Government-owned corporations which perform banking or credit functions shall coordinate their general credit policies with those of the Monetary Board.

Toward this end, the Monetary Board may, whenever it deems it expedient, make suggestions or recommendations to such corporations for the more effective coordination of their policies with those of the *Bangko Sentral*.

CHAPTER V FUNCTIONS AS BANKER AND FINANCIAL ADVISOR OF THE GOVERNMENT

ARTICLE I - FUNCTIONS AS BANKER OF THE GOVERNMENT

SECTION 110. *Designation of Bangko Sentral as Banker of the Government.* — The *Bangko Sentral* shall act as a banker of the Government, its political subdivisions and instrumentalities.

SECTION 111. *Representation with the International Monetary Fund.* — The *Bangko Sentral* shall represent the Government in all dealings, negotiations and transactions with the International Monetary Fund and shall carry such accounts as may result from Philippine membership in, or operations with, said Fund.

SECTION 112. *Representation with Other Financial Institutions.* — The *Bangko Sentral* may be authorized by the Government to represent it in dealings, negotiations or transactions with the International Bank for Reconstruction and Development and with other foreign or international financial institutions or agencies. The President may, however, designate any of his other financial advisors to jointly represent the Government in such dealings, negotiations or transactions.

SECTION 113. *Official Deposits.* — The *Bangko Sentral* shall be the official depository of the Government, its political subdivisions and instrumentalities as well as of government-owned or -controlled corporations. **As a general policy, their cash balances should be deposited with the *Bangko Sentral*, with only minimum working balances to be held by government-owned banks and such other banks licensed to operate in the Philippines as the Monetary Board may authorize.**

The *Bangko Sentral* may **accept deposits and** pay interest on **such deposits and other similar placements** of the Government or of its political subdivisions and instrumentalities, banks **and other Bangko Sentral-supervised institutions**.

SECTION 114. *Fiscal Operations*. — The *Bangko Sentral* shall open a general cash account for the Treasurer of the Philippines, in which the liquid funds of the Government shall be deposited.

Transfers of funds from this account to other accounts shall be made only upon order of the Treasurer of the Philippines.

SECTION 115. *Other Banks as Agents of the Bangko Sentral*. — In the performance of its functions as fiscal agent, the *Bangko Sentral* may engage the services of other government-owned and controlled banks and of other domestic banks for operations in localities at home or abroad in which the *Bangko Sentral* does not have offices or agencies adequately equipped to perform said operations: *Provided, however*, That for fiscal operations in foreign countries, the *Bangko Sentral* may engage the services of foreign banking and financial institutions.

SECTION 116. *Remuneration for Services*. — The *Bangko Sentral* may charge equitable rates, commissions or fees for services which it renders to the Government, its political subdivisions and instrumentalities.

ARTICLE II - THE MARKETING AND STABILIZATION OF SECURITIES FOR THE ACCOUNT OF THE GOVERNMENT

A. THE ISSUE AND PLACING OF GOVERNMENT SECURITIES

SECTION 117. *Issue of Government Obligations*. — The issue of securities representing obligations of the Government, its political subdivisions or instrumentalities, may be made through the *Bangko Sentral*, which may act as agent of, and for the account of, the Government or its respective subdivisions or instrumentality, as the case may be: *Provided, however*, That the *Bangko Sentral* shall not guarantee the placement of said securities, and shall not subscribe to their issue except to replace its maturing holdings of securities with the same type as the maturing securities.

SECTION 118. *Methods of Placing Government Securities*. — The *Bangko Sentral* may place the securities to which the preceding section refers through direct sale to financial institutions and the public.

The *Bangko Sentral* shall not be a member of any stock exchange or syndicate, but may intervene therein for the sole purpose of regulating their operations in the placing of government securities.

The Government, or its political subdivisions or instrumentalities, shall reimburse the *Bangko Sentral* for the expenses incurred in the placing of the aforesaid securities.

SECTION 119. *Servicing and Redemption of the Public Debt.* — The servicing and redemption of the public debt shall also be effected through the *Bangko Sentral*.

B. BANGKO SENTRAL SUPPORT OF THE GOVERNMENT SECURITIES MARKET

SECTION 120. *The Securities Stabilization Fund.* — There shall be established a “Securities Stabilization Fund” which shall be administered by the *Bangko Sentral* for the account of the Government.

The operations of the Securities Stabilization Fund shall consist of purchases and sales, in the open market, of bonds and other evidences of indebtedness issued or fully guaranteed by the Government. The purpose of these operations shall be to increase the liquidity and stabilize the value of said securities in order thereby to promote investment in government obligations.

The Monetary Board shall use the resources of the Fund to prevent, or moderate, sharp fluctuations in the quotations of said government obligations, but shall not endeavor to alter movements of the market resulting from basic changes in the pattern or level of interest rates.

The Monetary Board shall issue such regulations as may be necessary to implement the provisions of this section.

SECTION 121. *Resources of the Securities Stabilization Fund.* — Subject to Section 132 of this Act, the resources of the Securities Stabilization Fund shall come from the balance of the fund as held by the Central Bank under Republic Act No. 265 as of the effective date of this Act.

SECTION 122. *Profits and Losses of the Fund.* — The Securities Stabilization Fund shall retain net profits which it may make on its operations, regardless of whether said profits arise from capital gains or from interest earnings. The Fund shall correspondingly bear any net losses which it may incur.

ARTICLE III - FUNCTIONS AS FINANCIAL ADVISOR OF THE GOVERNMENT

SECTION 123. *Financial Advice on Official Credit Operations.* — Before undertaking any credit operation abroad, the Government, through the Secretary

of Finance, shall request the opinion, in writing, of the Monetary Board on the monetary implications of the contemplated action. Such opinions must similarly be requested by all political subdivisions and instrumentalities of the Government before any credit operation abroad is undertaken by them.

The opinion of the Monetary Board shall be based on the gold and foreign exchange resources and obligations of the nation and on the effects of the proposed operation on the balance of payments and on monetary aggregates.

Whenever the Government, or any of its political subdivisions or instrumentalities, contemplates borrowing within the Philippines, the prior opinion of the Monetary Board shall likewise be requested in order that the Board may render an opinion on the probable effects of the proposed operation on monetary aggregates, the price level, and the balance of payments.

A credit operation or borrowing as provided herein may take the form of different credit facilities such as, but not limited to, a single loan, series of loans under a borrowing program, or credit lines. No prior Monetary Board opinion shall be required for individual drawdowns or borrowings within approved credit lines or borrowing programs.

SECTION 124. *Representation on the National Economic and Development Authority.* — In order to assure effective coordination between the economic, financial and fiscal policies of the Government and the monetary, credit and exchange policies of the *Bangko Sentral*, the Deputy Governor designated by the Governor of the *Bangko Sentral* shall be an ex officio member of the National Economic and Development Authority Board.

CHAPTER VI PRIVILEGES AND PROHIBITIONS

ARTICLE I – PRIVILEGES

SECTION 125. *Tax Exemptions.* — The *Bangko Sentral* shall be exempt from all national, provincial, municipal and city taxes **on income derived from its governmental functions, specifically:**

- (a) income from its activities or transactions in the exercise of its supervision over the operations of banks and its regulatory and examination powers over non-bank financial institutions performing quasi-banking functions, money service businesses, credit granting businesses and payment system operators; and**
- (b) income in pursuit of its primary objective to maintain price stability conducive to a balanced and sustainable growth of the economy,**

and the promotion and maintenance of monetary and financial stability and the convertibility of the peso.

All other incomes not included in the above enumeration shall be considered as proprietary income and shall be subject to all taxes, charges, fees and assessments.

SECTION 126. *Exemption from Customs Duties.* — The provision of any general or special law to the contrary notwithstanding, the importation and exportation by the *Bangko Sentral* of notes and coins, and of gold and other metals to be used for purposes authorized under this Act, and the importation of all equipment needed for bank note production, minting of coins, metal refining and other security printing operations shall be fully exempt from all customs duties and consular fees and from all other taxes, assessments and charges related to such importation or exportation.

SECTION 127. *Applicability of the Civil Service Law.* — Appointments in the *Bangko Sentral*, except as to those which are policy-determining, primarily confidential or highly technical in nature, shall be made only according to the Civil Service Law and regulations: *Provided*, That no qualification requirements for positions in the *Bangko Sentral* shall be imposed other than those set by the Monetary Board: *Provided, further*, That, the Monetary Board or Governor, in accordance with Sections 15(c) and 17(d) of this Act, respectively, may without need of obtaining prior approval from any other government agency, appoint personnel in the *Bangko Sentral* whose services are deemed necessary in order not to unduly disrupt the operations of the *Bangko Sentral*.

Officers and employees of the *Bangko Sentral*, including all members of the Monetary Board, shall not engage directly or indirectly in partisan activities or take part in any election except to vote.

ARTICLE II – PROHIBITIONS

SECTION 128. *Prohibitions.* — The *Bangko Sentral* shall not acquire shares of any kind or accept them as collateral, and shall not participate in the ownership or management of any enterprise, either directly or indirectly: ***Provided, That this prohibition shall not apply whenever the Monetary Board, by a vote of at least five (5) of its members, (1) deems an acquisition or investment to be necessary to qualify or as required for membership in international and regional organizations; or (2) determines that investing in and/or operating an enterprise will be consistent with the effective fulfillment of its mandate and will not constitute any conflict of interest.***

The *Bangko Sentral* shall not engage in development banking or financing: *Provided, however,* That outstanding loans obtained or extended for development financing shall not be affected by the prohibition of this section.

CHAPTER VII

TRANSITORY PROVISIONS

SECTION 129. *Phase-out of Fiscal Agency Functions.* — Unless circumstances warrant otherwise and approved by the Congress Oversight Committee, the *Bangko Sentral* shall, within a period of three (3) years but in no case longer than five (5) years from the approval of this Act, phase out all fiscal agency functions provided for in Sections 117, 118, 119, and 120 as well as in other pertinent provisions of this Act and transfer the same to the Department of Finance.

SECTION 130. *Phase-out of Regulatory Powers Over the Operations of Finance Corporations and Other Institutions Performing Similar Functions.* — The *Bangko Sentral* shall, within a period of five (5) years from the effectivity of this Act, phase out its regulatory powers over finance companies without quasi-banking functions and other institutions performing similar functions as provided in existing laws, the same to be assumed by the Securities and Exchange Commission.

SECTION 131. *Implementing Details.* — The *Bangko Sentral* shall be made operational by the performance of the following acts:

- (a) the President shall constitute the Monetary Board by appointing the members thereof within sixty (60) days from the effectivity of this Act; and
- (b) the transfer of such assets and liabilities from the Central Bank to the *Bangko Sentral* as provided in Section 132 shall be completed within ninety (90) days from the constitution of the Monetary Board.

All incumbent personnel in the Central Bank as of the date of the approval of this Act shall continue to exercise their duties and functions as personnel of the *Bangko Sentral* subject to the provisions of Section 133: *Provided,* That such personnel in the Central Bank as may be necessary for the purpose of implementing Section 132 may be assigned by the *Bangko Sentral* Monetary Board to the Central Bank.

SECTION 132. *Transfer of Assets and Liabilities.* — Upon the effectivity of this Act, three (3) members of the Monetary Board, which may include the Governor, in representation of the *Bangko Sentral*, the Secretary of Finance and the Secretary of Budget and Management in representation of the National Government, and the Chairmen of the Committees on Banks of the Senate and the House of Representatives shall determine the assets and liabilities of the Central Bank

which may be transferred to or assumed by the *Bangko Sentral*. The Committee shall complete its work within ninety (90) days from the constitution of the Monetary Board submitting a comprehensive report with all its findings and justification.

The following guidelines shall be strictly observed in the determination of which assets and liabilities shall be transferred to the *Bangko Sentral*:

- (a) the Monetary Board and the Secretary of Finance shall have primary responsibility for working out creative monetary and financial solutions to retire the Central Bank liabilities and losses at the least cost to the Government;
- (b) the *Bangko Sentral* shall remit seventy five percent (75%) of its net profits **as computed in this Act** to a special deposit account (sinking fund) **or to the National Treasury as dividends**, until such time as the net liabilities of the Central Bank shall have been liquidated through generally accepted finance mechanisms such as, but not limited to, write-offs, set-offs, condonation, collections, reappraisal, revaluation and bond issuance by the National Government. **Thereafter, it shall remit fifty percent (50%) of its said net profits to the National Treasury;**
- (c) the assets and liabilities to be transferred shall be limited to an amount that will enable the *Bangko Sentral* to perform its responsibilities adequately and operate on a viable basis: Provided, That the assets shall exceed the liabilities as certified by the Commission on Audit (COA), by an initial amount of Ten billion pesos (P10,000,000,000);
- (d) liabilities to be assumed by the *Bangko Sentral* shall include liability for notes and coins in circulation as of the effective date of this Act; and
- (e) any asset or liability of the Central Bank not transferred to the *Bangko Sentral* shall be retained and administered, disposed of and liquidated by the Central Bank itself which shall continue to exist as the CB Board of Liquidators only for the purposes provided in this paragraph but not later than twenty-five (25) years or until such time that liabilities have been liquidated: Provided, That the *Bangko Sentral* may financially assist the Central Bank of Liquidators in the liquidation of CB liabilities: Provided, finally, That upon disposition of said retained assets and liquidation of said retained liabilities, the Central Bank shall be deemed abolished.

All actions taken by the *Bangko Sentral* Monetary Board under this section shall be reported to Congress and the President within thirty (30) days.

SECTION 133. *Mandate to Organize.* — The *Bangko Sentral* shall be organized by the Monetary Board without being subject to the provisions of Republic Act No. 7430, by adopting if it so desires, an entirely new staffing pattern on organizational structure to suit the operations of the *Bangko Sentral* under this Act. No preferential or priority right shall be given to or enjoyed by any personnel for appointment to any position in the new staffing pattern, nor shall any personnel be considered as having prior or vested rights with respect to retention in the *Bangko Sentral* or in any position which may be created in the new staffing pattern, even if he should be the incumbent of a similar position prior to organization. The formulation of the program of organization shall be completed within six (6) months after the effectivity of this Act, and shall be fully implemented within a period of six (6) months thereafter. Personnel who may not be retained are deemed separated from the service.

SECTION 134. *Separation Benefits.* — Pursuant to Section 15 of this Act, the Monetary Board is authorized to provide separation incentives, and all those who shall retire or be separated from the service on account of reorganization under the preceding section shall be entitled to such incentives, which shall be in addition to all gratuities and benefits to which they may be entitled under existing laws.

SECTION 135. *Repealing Clause.* — Except as may be provided for in Section 46 and 132 of this Act, Republic Act No. 265, as amended, the provisions of any other law, special charters, rule or regulation issued pursuant to said Republic Act No. 265, as amended, or parts thereof, which may be inconsistent with the provisions of this Act are hereby repealed. Presidential Decree No. 1792 is likewise repealed.

SECTION 136. *Transfer of Powers.* — All powers, duties and functions vested by law in the Central Bank of the Philippines not inconsistent with the provisions of this Act shall be deemed transferred to the *Bangko Sentral ng Pilipinas*. All references to the Central Bank of the Philippines in any law or special charters shall be deemed to refer to the *Bangko Sentral*.

SECTION 137. *Separability Clause.* — If any provision or section of this Act or the application thereof to any person or circumstance is held invalid, the other provisions or sections of this Act, and the application of such provision or section to other persons or circumstances, shall not be affected thereby.

SECTION 138. *Effectivity Clause.* — This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in two (2) national newspapers of general circulation.



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