

## REPUBLIC ACT No. 6426

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

**Section 1. Title.**— This act shall be known as the "Foreign Currency Deposit Act of the Philippines."

**Section 2. Authority to deposit foreign currencies.** — Any person, natural or juridical, may, in accordance with the provisions of this Act, deposit with such Philippine banks in good standing, as may, upon application, be designated by the Central Bank for the purpose, foreign currencies which are acceptable as part of the international reserve, except those which are required by the Central Bank to be surrendered in accordance with the provisions of Republic Act Numbered two hundred sixty-five (Now [Rep. Act No. 7653](#)).

**Section 3. Authority of banks to accept foreign currency deposits.** — The banks designated by the Central Bank under Section two hereof shall have the authority:

- (1) To accept deposits and to accept foreign currencies in trust *Provided*, That numbered accounts for recording and servicing of said deposits shall be allowed;
- (2) To issue certificates to evidence such deposits;
- (3) To discount said certificates;
- (4) To accept said deposits as collateral for loans subject to such rules and regulations as may be promulgated by the Central Bank from time to time; and
- (5) To pay interest in foreign currency on such deposits.

**Section 4. Foreign currency cover requirements.** — Except as the Monetary Board may otherwise prescribe or allow, the depository banks shall maintain at all times a one hundred percent foreign currency cover for their liabilities, of which cover at least fifteen percent shall be in the form of foreign currency deposit with the Central Bank, and the balance in the form of foreign currency loans or securities, which loans or securities shall be of short term maturities and readily marketable. Such foreign currency loans may include loans to domestic enterprises which are export-oriented or registered with the Board of Investments, subject to the limitations to be prescribed by the Monetary Board on such loans. Except as the Monetary Board may otherwise prescribe or allow, the foreign currency cover shall be in the same currency as that of the corresponding foreign currency deposit liability. The Central Bank may pay interest on the foreign currency deposit, and if requested shall exchange the foreign currency notes and coins into foreign currency instruments drawn on its depository banks. (*As amended by [PD No. 1453](#), June 11, 1978.*)

Depository banks which, on account of networth, resources, past performance, or other pertinent criteria, have been qualified by the Monetary Board to function under an expanded foreign currency deposit system, shall be exempt from the requirements in the preceding paragraph of maintaining fifteen percent (15%) of the cover in the form of foreign currency deposit with the Central Bank. Subject to prior Central Bank approval when required by Central Bank regulations, said depository banks may extend foreign currency loans to any domestic

enterprise, without the limitations prescribed in the preceding paragraph regarding maturity and marketability, and such loans shall be eligible for purposes of the 100% foreign currency cover prescribed in the preceding paragraph. (As added by [PD No. 1035](#).)

**Section 5. *Withdrawability and transferability of deposits.*** – There shall be no restriction on the withdrawal by the depositor of his deposit or on the transferability of the same abroad except those arising from the contract between the depositor and the bank.

**Section 6. *Tax exemption.*** – All foreign currency deposits made under this Act, as amended by PD No. 1035, as well as foreign currency deposits authorized under [PD No. 1034](#), including interest and all other income or earnings of such deposits, are hereby exempted from any and all taxes whatsoever irrespective of whether or not these deposits are made by residents or nonresidents so long as the deposits are eligible or allowed under aforementioned laws and, in the case of nonresidents, irrespective of whether or not they are engaged in trade or business in the Philippines. (As amended by [PD No. 1246](#), prom. Nov. 21, 1977.)

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

**Section 8. *Secrecy of foreign currency deposits.*** – All foreign currency deposits authorized under this Act, as amended by PD No. 1035, as well as foreign currency deposits authorized under PD No. 1034, are hereby declared as and considered of an absolutely confidential nature and, except upon the written permission of the depositor, in no instance shall foreign currency deposits be examined, inquired or looked into by any person, government official, bureau or office whether judicial or administrative or legislative, or any other entity whether public or private; *Provided, however,* That said foreign currency deposits shall be exempt from attachment, garnishment, or any other order or process of any court, legislative body, government agency or any administrative body whatsoever. (As amended by [PD No. 1035](#), and further amended by [PD No. 1246](#), prom. Nov. 21, 1977.)

**Section 9. *Deposit insurance coverage.*** – The deposits under this Act shall be insured under the provisions of Republic Act No. 3591, as amended (Philippine Deposit Insurance Corporation), as well as its implementing rules and regulations: *Provided,* That insurance payment shall be in the same currency in which the insured deposits are denominated.

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

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

**Section 12.** *Repealing clause.* – All acts, executive orders, rules and regulations, or parts thereof, which are inconsistent with any provisions of this Act are hereby repealed, amended or modified accordingly, without prejudice, however, to deposits made thereunder.

**Section 12-A.** *Amendatory enactments and regulations.* – In the event a new enactment or regulation is issued decreasing the rights hereunder granted, such new enactment or regulation shall not apply to foreign currency deposits already made or existing at the time of issuance of such new enactment or regulation, but such new enactment or regulation shall apply only to foreign currency deposits made after its issuance. (*As added by PD No. 1246, prom. Nov. 21, 1977.*)

**Section 13.** *Effectivity.* – This Act shall take effect upon its approval.

Approved, April 4, 1974