In 1993, the Philippine Congress enacted Republic Act (R.A.) No. 7653 (The New Central Bank Act) creating the Bangko Sentral ng Pilipinas (BSP) pursuant to the directive in the 1987 Constitution mandating the establishment of an independent central monetary authority (Section 20, Article XII, 1987 Constitution). The BSP replaced the old Central Bank of the Philippines, which had been established by Republic Act No. 265 in 1948. Twenty years hence, the economic milieu in the Philippines has changed, globalization has increased the integration of financial markets, and the scope of operations of financial institutions has evolved. In light of these, there is, undoubtedly, a need to respond to contemporary challenges by amending R.A. No. 7653 in order that the BSP shall remain effective in its conduct of monetary policy and supervision of entities within the financial system.

Towards this end, this bill proposes to strengthen the tools which the BSP exercises in performing its mandates, supplement the mechanisms in protecting savings of depositors and in ensuring the smooth flow of transactions in the financial system, as well as to enhance the corporate viability of the BSP. The proposed amendments in this bill are three-fold, and the salient features thereof include:

1. Strengthening BSP’s Monetary Stability function

   a) Restoration of authority to obtain data from private persons or entities for purposes of statistical and policy development, as well as ascertaining compliance with laws and banking regulations, and authority to issue negotiable certificates of indebtedness even during normal times, both of which were powers granted to the old Central Bank of the Philippines; and

   b) Removal of thresholds in the growth of monetary aggregates, credit and prices as guiding principles in monetary administration, in view of current international trends in monetary policy frameworks adopting inflation targeting.
2. Strengthening BSP's Financial Stability function

a) Formal statutory recognition of the BSP's mandate of promoting and maintaining financial stability, as well as grant of statutory oversight of payment and settlement systems;

b) Enhancement of BSP's supervisory authority by: i) expanding the entities it supervises to include other categories of financial institutions; ii) granting authority to impose sanctions on transfers and acquisitions of substantial shares of banks and quasi-banks without BSP approval; iii) allowing full flexibility to conduct risk-based supervision of financial institutions; iv) strengthening of administrative and criminal sanctions to include, among other things, forfeiture of profits from unauthorized financial transactions; and v) improving resolution mechanisms to deal with problematic financial institutions; and

c) Legal protection for BSP officials and staff when performing official duties similar to that provided to officers and employees of the Philippine Deposit Insurance Corporation (PDIC) under the latter's charter (Republic Act No. 9576).

3. Strengthening BSP's Corporate and Financial Viability

a) Additional BSP capitalization of P150 billion, payable in three (3) years;

b) Grant of flexibility to establish adequate loss allowances and create reserve buffers against future risks and contingencies, and restoration of tax exemption, similar to other central banks in the world;

c) Enhancement to credit operations by granting exemption from court processes relating to collateral obtained from banks, similar to that enjoyed by Land Bank of the Philippines (LBP), and the authority to deputize the BSP legal staff in extrajudicial foreclosure of mortgaged properties in the same manner that the legal staff of LBP and Development Bank of the Philippines (DBP) may so be deputized under their respective charters.

These amendments, once enacted into law, will empower the BSP to effectively respond to challenges and innovations of a globalized economy and, more significantly, to better perform its constitutional mandates. Indeed, an empowered BSP is indispensable in ensuring a competitive, robust and inclusive economy, and a financial system that will support a higher quality of life for Filipinos.

In view of the foregoing, approval of this bill is earnestly-sought.

FERDINAND R. MARCOS, JR.
AN ACT AMENDING REPUBLIC ACT NUMBER 7653, OTHERWISE KNOWN AS "THE NEW CENTRAL BANK ACT", AND FOR OTHER PURPOSES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 2 of Republic Act No. 7653, otherwise known as "The New Central Bank Act" is hereby amended to read as follows:

"SEC. 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 [Fifty] billion pesos (P200,000,000,000), to be fully subscribed by the Government of the Republic, hereafter referred to as the Government. [Ten billion-pesos (P10,000,000,000) of which] THE UNPAID SUBSCRIPTION shall be fully paid for by the Government IN CASH AND/OR GOVERNMENT SECURITIES IMMEDIATELY UPON EFFECTIVITY OF THIS ACT. THE CAPITALIZATION SHALL BE SUBJECT TO REVIEW EVERY FIVE (5) YEARS UPON JOINT RECOMMENDATION BY THE SECRETARY OF FINANCE, THE SECRETARY OF BUDGET AND MANAGEMENT AND THE MONETARY BOARD. THE PAYMENT OF ANY UNPAID SUBSCRIPTION AND/OR INCREASE IN CAPITALIZATION SHALL BE AUTOMATICALLY APPROPRIATED IN THE ANNUAL GENERAL APPROPRIATIONS ACT. [Upon the effectivity of this Act and the balance to be paid-for within a period of two (2) years from the effectivity of this Act in such manner and form as the Government, through the Secretary of Finance and the Secretary of Budget and Management, may thereafter determine.]"
SEC. 2. Section 3 of the same Act is hereby amended to read as follows:

"SEC. 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 powers as provided in this Act and other pertinent laws over the operations of finance companies and non-bank financial institutions performing quasi-banking functions, [hereafter referred to as quasi-banks] CREDIT CARD COMPANIES, MONEY CHANGERS, E-MONEY ISSUERS, REMITTANCE AGENTS, PAYMENT AND SETTLEMENT SYSTEM OPERATORS and OTHER institutions performing similar functions AS MAY BE DETERMINED BY THE MONETARY BOARD, CONSISTENT WITH THE MANDATE OF THE BANGKO SENTRAL TO PROVIDE POLICY DIRECTION IN THE AREAS OF MONEY, BANKING AND CREDIT.

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

"THE BANGKO SENTRAL SHALL OVERSEE THE PAYMENT AND SETTLEMENT SYSTEMS IN THE PHILIPPINES IN ACCORDANCE WITH SOUND AND PRUDENT PRACTICES. FOR PURPOSES OF THIS ACT, "PAYMENT AND SETTLEMENT SYSTEM" SHALL REFER TO ANY SYSTEM THAT CONSISTS OF A SET OF INSTRUMENTS AND ARRANGEMENTS THAT ENSURES THE EFFICIENT CIRCULATION OF MONEY AND SAFE TRANSFER OF FINANCIAL VALUES."

SEC. 3. Section 11 of the same Act is hereby amended to read as follows:

"SEC. 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."

SEC. 4. Section 16 of the same Act is hereby amended to read as follows:

"SEC. 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 [officials, examiners, and employees] and Other Personnel of the Bangko Sentral [who willfully violate this Act or who are guilty of negligence, abuses or acts of malfeasance or misfeasance or fail to exercise extraordinary diligence in the performance of his duties] shall be held liable for any loss or injury suffered by the Bangko Sentral or other banking institutions as a result of such violation, negligence, abuse, malfeasance, misfeasance or failure to exercise extraordinary diligence.

"Similar responsibility shall apply to members, officers, and employees 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.

"The foregoing notwithstanding, unless the action of the Bangko Sentral or any of its officials and employees is found to be in willful violation of this Act or performed in bad faith, with malice and/or gross negligence, the Bangko Sentral, its officials, employees and agents are held free and harmless to the full extent permitted by law from any liability and shall be indemnified for any and all liabilities, claims demands, damages, deficiencies, costs and expenses of whatsoever kind and nature that may arise in connection with the performance of their functions."
SEC. 5. Section 21 of the same Act is hereby amended to read as follows:

"SEC. 21. Deputy Governors. — The Governor of the Bangko Sentral, with the approval of the Monetary Board, shall appoint not more than [three (3)] 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 Government 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."

SEC. 6. Section 23 of the same Act is hereby amended to read as follows:

"SEC. 23. Authority to Obtain Data and Information. — The Bangko Sentral shall have the authority to REQUIRE [request] from ANY PERSON OR ENTITY, INCLUDING government offices and instrumentalities, or government-owned or -controlled corporations, any data which it may, FOR STATISTICAL AND POLICY DEVELOPMENT PURPOSES require for 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 [bank] BANGKO SENTRAL with data [requested or] required, shall be subject to punishment for contempt in accordance with the provisions of the Rules of Court.

Data on individuals AND firms, other than banks, gathered by the [Department of Economic Research and other departments or units of 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."
SEC. 7. Section 25 of the same Act is hereby amended to read as follows:

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

"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, FOR SUPERVISORY PURPOSES, ALSO HAVE THE POWER TO OBTAIN INFORMATION ON AND EXAMINE TRANSACTIONS BETWEEN AND AMONG A SUPERVISED INSTITUTION AND ITS PARENT OR OTHER AFFILIATE COMPANIES, PROVIDED THAT THE TRANSACTIONS TO BE LOOKED INTO SHALL BE LIMITED TO THOSE HAVING MATERIAL IMPACT ON THE SAFETY AND SOUNDNESS OF THE BANK AND THE BANKING GROUP.

"A PARENT COMPANY MEANS A CORPORATION WHICH OWNS DIRECTLY OR INDIRECTLY THE VOTING STOCK OF A SUPERVISED INSTITUTION OF THE BANGKO SENTRAL SUFFICIENT TO CONTROL ITS MANAGEMENT AND OPERATIONS, SUBJECT TO THE GUIDELINES ISSUED BY THE MONETARY BOARD.


"For purposes of this section, a subsidiary means a corporation more than fifty percent (50%) of the voting stock of which is owned 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 to such institution or
intermediary through common stockholders or such other factors as may be determined by the Monetary Board.

"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, AND TO INQUIRE INTO BANK DEPOSITS AND INVESTMENT ACCOUNTS IN THE COURSE OF AN EXAMINATION IN ORDER TO ASCERTAIN COMPLIANCE WITH THE LAWS AND BANKING REGULATIONS, [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."

SEC. 8. A new section entitled Section 25-A is hereby inserted in the same Act to read as follows:

"SEC. 25-A. AUTHORITY TO APPROVE TRANSFER OF SHARES - TRANSFERS OR ACQUISITIONS, OR A SERIES THEREOF, OF AT LEAST TEN PERCENT (10%) OF THE VOTING STOCK 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
TRANSFEE 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.

SEC. 9. Section 28 of the same Act is hereby amended to read as
follows:

"SEC. 28. Examination and Fees. — The supervising and
examining department head, personally or by deputy, shall
examine the [books] OPERATIONS of every bank[ing] 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. [once in every-twelve (12)
months, and at such other times as the Monetary Board by
an affirmative vote of five (5) members, may deem
expedient and to make a report on the same to the
Monetary Board:] Provided, That there shall be an interval of
at least twelve (12) months between [annual] 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 [bank] 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 [available]
assets and general condition AND REVIEW ITS SYSTEMS AND
PROCEDURES at any time during BUSINESS [banking] 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.
"[Banking and quasi-banking institutions which are subject to examination by the Bangko Sentral] SUPERVISED INSTITUTIONS shall pay to the Bangko Sentral, NO LATER THAN MAY 31 OF EACH YEAR [within the first thirty (30) days of each year], an annual SUPERVISION fee [in an amount equal to a percentage,] as may be prescribed by the Monetary Board. [...of its average total assets during the preceding year as shown on its end-of-month balance sheets, after deducting cash on hand and amounts due from banks, including the Bangko Sentral and banks abroad.] IN DETERMINING THE AMOUNT OF THE ANNUAL SUPERVISION FEE, THE MONETARY BOARD SHALL CONSIDER THE COSTS OF SUPERVISION."

SEC. 10. A new section entitled Section 28-A is hereby inserted in the same Act to read as follows:

"SEC. 28-A. BANGKO SENTRAL COORDINATION. -- THE SUSPENSION OR REVOCATION OF ANY GOVERNMENT LICENSE NECESSARY FOR THE OPERATION OF A BANGKO SENTRAL-SUPERVISED ENTITY MUST BE DONE ONLY WITH PRIOR CONSULTATION WITH THE BANGKO SENTRAL."

SEC. 11. Section 30 of the same Act is hereby amended to read as follows:

"SEC. 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) 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 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 as receiver of the banking institution.
“[For a quasi-bank, any person of recognized competence in banking or finance may be designated as receiver.]”

The receiver shall immediately gather and take charge of all the assets and liabilities of the institution, administer the same for the benefit of its creditors, and exercise the general powers of a receiver under the Revised Rules of Court but shall not, with the exception of administrative expenditures, pay or commit any act that will involve the transfer or disposition of any asset of the institution; Provided, That the receiver may deposit or place the funds of the institution in nonspeculative investments. The receiver shall determine as soon as possible, but not later than ninety (90) days from takeover, whether the institution may be rehabilitated or otherwise placed in such a condition so that it may be permitted to resume business with safety to its depositors and creditors and the general public: Provided, That any determination for the resumption of business of the institution shall be subject to prior approval of the Monetary Board.

“IN ORDER TO REHABILITATE THE CLOSED INSTITUTION OR TO RESTORE ITS OPERATIONS WITH SAFETY TO ITS DEPOSITORS, CREDITORS AND THE GENERAL PUBLIC, OR TO MERGE OR CONSOLIDATE THE CLOSED INSTITUTION WITH ANOTHER QUALIFIED INSTITUTION, THE RECEIVER MAY IMMEDIATELY TRANSFER OR DISPOSE OF ANY OR ALL OF THE ASSETS OF THE CLOSED INSTITUTION, CAUSE QUASI-REORGANIZATION OF THE INSTITUTION, AND SUCH OTHER ACTS AS MAY BE AUTHORIZED BY LAW.

“If the receiver determines that the institution cannot be rehabilitated or permitted to resume business in accordance with the next preceding paragraph, the Monetary Board shall notify in writing the board of directors of THE RECEIVER’S [its] findings and direct the receiver to proceed with the liquidation of the institution. The receiver shall:

1. file ex parte with the proper regional trial court, and without requirement of prior notice or any other action, a petition for assistance in the liquidation of the institution pursuant to a liquidation plan adopted by the Philippine Deposit Insurance Corporation for general application to all closed banks. In case of quasi-banks, the liquidation plan shall be adopted by the Monetary Board. Upon acquiring jurisdiction, the court shall, upon motion by the receiver after due notice, adjudicate disputed claims against the institution, assist the enforcement of individual liabilities of the stockholders, directors and officers, and decide on other issues as may be material to implement the liquidation plan.
adopted. The receiver shall pay the cost of the proceedings from the assets of the institution.

"2. convert the assets of the institutions to money, dispose of the same to creditors and other parties, for the purpose of paying the debts of such institution in accordance with the rules on concurrence and preference of credit under the Civil Code of the Philippines and he may, in the name of the institution, and with the assistance of counsel as he may retain, institute such actions as may be necessary to collect and recover accounts and assets of, or defend any action against, the institution. The assets of an institution under receivership or liquidation shall be deemed in custodia legis in the hands of the receiver and shall, from the moment the institution was placed under such receivership or liquidation, be exempt from any order of garnishment, levy, attachment, or execution.

"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 PLACE A BANK OR QUASI-BANK UNDER RECEIVERSHIP 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."

SEC. 12. Section 31 of the same Act is hereby amended to read as follows:

"SEC. 31. Distribution of Assets. — In case of liquidation of a bank, quasi-bank OR NON-STOCK SAVINGS AND LOAN ASSOCIATION, after payment of the cost of proceedings, including reasonable expenses and fees of the receiver to be allowed by the court, the receiver shall pay the debts of such
institution, under order of the court, in accordance with the rules on concurrence and preference of credit as provided in the Civil Code."

SEC. 13. Section 32 of the same Act is hereby amended to read as follows:

"SEC. 32. Disposition of Revenues and Earnings. — All revenues and earnings realized by the receiver in winding up the affairs and administering the assets of any bank, quasi-bank OR NON-STOCK SAVINGS, AND LOAN ASSOCIATION within the purview of this Act shall be used to pay the costs; fees and expenses mentioned in the preceding section, salaries of such personnel whose employment is rendered necessary in the discharge of the liquidation together with other additional expenses caused thereby. The balance of revenues and earnings, after the payment of all said expenses, shall form part of the assets available for payment to creditors."

SEC. 14. Section 34 of the same Act is hereby amended to read as follows:

"SEC. 34. Refusal to Make Reports or Permit Examination. — Any officer, owner, agent, manager, director or officer-in-charge of any institution subject to the supervision or examination by the Bangko Sentral within the purview of this act who, being required in writing by the Monetary Board or by the head of the supervising and examining department 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 (one hundred thousand pesos (P100,000)) TWO MILLION PESOS (P2,000,000) or by imprisonment of not less than one (1) year nor more than five (5) years, or both, [in] 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 AND PARENT COMPANY OF A BANK OR QUASI-BANK, AS WELL AS THE AFFILIATES OF SUCH PARENT COMPANY, WHOSE TRANSACTIONS ARE SUBJECT TO EXAMINATION UNDER THIS LAW."

SEC. 15. Section 35 of the same Act is hereby amended to read as follows:

"SEC. 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 hundred thousand pesos (P200,000)] TWO MILLION PESOS (P2,000,000), or by imprisonment of not more than (5) years, or both, at the discretion of the court."

SEC. 16. Section 36 of the same Act is hereby amended to read as follows:

"SEC. 36. Proceedings Upon Violation of This Act and Other Banking Laws, Rules, Regulations, Orders or Instructions. — Whenever a bank, [or] quasi-bank, 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 hundred thousand pesos (P200,000)] TWO MILLION PESOS (P2,000,000.00) 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 [a bank or quasi-bank] 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."

SEC. 17. Section 37 of the same Act is hereby amended to read as follows:

"SEC. 37. Administrative Sanctions on Banks-and-Quasi-Banks SUPERVISED ENTITIES. — 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 or quasi-bank, INCLUDING THEIR SUBSIDIARIES AND AFFILIATES ENGAGED IN ALLIED ACTIVITIES, OR OTHER ENTITIES WHICH UNDER THIS ACT OR SPECIAL LAWS ARE SUBJECT TO THE BANGKO SENTRAL SUPERVISION, AND/OR their directors, officers and/or EMPLOYEES, for any willful violation of its charter or by-laws, 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
[Thirty—thousand—pesos—{P30,000}] 
ONE MILLION PESOS
(P1,000,000.00) FOR EACH TRANSACTIONAL VIOLATION OR
ONE HUNDRED THOUSAND PESOS (P100,000.00) PER BANKING
[day] for each CONTINUING violation, taking into
consideration the attendant circumstances, such as the
nature and gravity of the violation or irregularity and the size
of the INSTITUTION, [bank or quasi-bank] PROVIDED: THAT IN
CASE PROFIT IS GAINED OR LOSS IS AVOIDED AS A RESULT OF
THE VIOLATION, A FINE OF NO MORE THAN THREE (3) TIMES THE
PROFIT GAINED OR LOSS AVOIDED MAY 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 or officer
of [a—bank or quasi-bank] 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 or officer 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 and/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 and/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 (banking institutions), BANKS AND QUASI-BANKS, INCLUDING THEIR SUBSIDIARIES AND AFFILIATES ENGAGED IN ALLIED ACTIVITIES, AND OTHER ENTITIES WHICH UNDER 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 [Ten thousand pesos (P10,000)] ONE HUNDRED THOUSAND PESOS (P100,000.00) FOR EACH TRANSACTIONAL VIOLATION OR THIRTY THOUSAND PESOS (P30,000.00) PER BANKING [a] day for each CONTINUING violation, the imposition of which shall be final and executory until reversed, modified or lifted by the Monetary Board on appeal.”

SEC. 18. A new section entitled Section 38-A is hereby inserted in the same Act to read as follows:

“SEC. 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 RULES OF COURT ON INJUNCTIONS IN SO FAR AS THEY 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."

SEC. 19. Section 43 of the same Act is hereby amended as follows:

"SEC. 43. Computation of Profits and Losses. — Within the first thirty (30) days following the end of each year, the Bangko Sentral shall determine its net profits or losses. [In the calculation of net profits, the Bangko Sentral shall make adequate allowance or establish adequate reserves for bad and doubtful accounts]. 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 OTHER ALLOWANCES AND CONTINGENCIES OR PURPOSES AS THE MONETARY BOARD MAY DETERMINE IN ACCORDANCE WITH PRUDENT FINANCIAL MANAGEMENT."

SEC. 20. A new section entitled Section 43-A is hereby inserted in the same Act to read as follows:

"SEC. 43-A. BANGKO SENTRAL RESERVE FUND. - THE BANGKO SENTRAL SHALL ESTABLISH A RESERVE FUND TO MITIGATE FUTURE RISKS AND 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 DEEM PRUDENT OR NECESSARY.

"THE FLUCTUATION RESERVE SHALL COVER LOSSES FROM EXCHANGE RATE AND PRICE VOLATILITY AND SHALL BE DERIVED FROM THE NET PROFITS BEFORE DISTRIBUTION, AS PROVIDED UNDER SECTION 44 OF THIS ACT. ALL OTHER RESERVE FUNDS SHALL BE SOURCED FROM SURPLUS."

SEC. 21. Section 45 of the same Act is hereby amended to read as follows:

"SEC. 45. Revaluation Profits and Losses. — UNREALIZED profits or losses arising from any revaluation of the Bangko Sentral's [net] assets [or], liabilities OR DERIVATIVE INSTRUMENTS DENOMINATED in [gold—or] 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 a special frozen 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 **Revaluation of International Reserve (RIR)** account shall be **[neither credited nor debited]** ONLY 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. (For any purposes other than those specifically authorized in this section.)"

**SEC. 22.** Section 61 of the same Act is hereby amended to read as follows:

"**SEC. 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.** [The Monetary Board shall endeavor to control any expansion or contraction in monetary aggregates which is prejudicial to the attainment or maintenance of price stability.]"

**SEC. 23.** Section 63 of the same Act is hereby amended to read as follows:

"**SEC. 63. Action when Abnormal Movements Occur in the [Monetary Aggregates, Credit, or] Price Level. —** Whenever abnormal movements in the [monetary aggregates, in credit, or in] 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 [the monetary aggregates, of credit or of] prices;

“(2) the extent to which the changes in [the monetary aggregates, in credit, or 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 [monetary aggregates, or the level of credit, increases or decreases by more than fifteen percent (15%), or 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 [any of these] THIS quantitative guideline[s] have 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 [monetary aggregates, credit or] 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 [monetary, credit or] price disturbances have disappeared or have been adequately controlled.”

SEC. 24. Section 81 of the same Act is hereby amended to read as follows:

“SEC. 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.”
Section 84 of the same Act is hereby amended to read as follows:

"SEC. 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) to the extent of their applicable loan values and (D) other kinds of collaterals as may be authorized by the monetary board in accordance with sound risk management principles [which the Monetary Board may approve]: 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 applicable loan values of government securities and unencumbered first class collaterals 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."

SEC. 26. A new section entitled Section 88-A is hereby inserted in the same Act to read as follows:

"SEC. 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."

SEC. 27. A new section entitled Section 88-B is hereby inserted in the same Act to read as follows:

"SEC. 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."

SEC. 28. A new section entitled Section 88-C is hereby inserted in the same Act to read as follows:

"SEC. 88-C. RIGHT OF REDEMPTION OF FORECLOSED REAL PROPERTY: RIGHT OF POSSESSION DURING REDEMPTION PERIOD. – IN THE EVENT OF FORECLOSURE, WHETHER JUDICALLY OR EXTRAJUDICALLY, THE MORTGAGOR, WHO IS


SEC. 29. A new section entitled Section 88-D is hereby inserted in the same Act to read as follows:

"SEC. 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."

SEC. 30. A new section entitled Section 89-A is hereby inserted in the same Act to read as follows:

"SEC. 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 SUCH EXPOSURES SHALL BE PROPERLY SECURED."

SEC. 31. A new section entitled Section 89-B is hereby inserted in the same Act to read as follows:

"SEC. 89-B. LOANS TO THE PHILIPPINE DEPOSIT INSURANCE CORPORATION. - THE BANGKO SENTRAL, PURSUANT TO ITS MANDATE OF MAINTAINING FINANCIAL
STABILITY, MAY LEND FUNDS TO THE PHILIPPINE DEPOSIT INSURANCE CORPORATION FOR INSURANCE PURPOSES AND IN CASES OF FINANCIAL ASSISTANCE THAT THE LATTER IS AUTHORIZED TO EXTEND UNDER SECTION 17(D) OF REPUBLIC ACT NO. 3591, AS AMENDED, TO AN INSURED BANK IN DANGER OF CLOSING IN ORDER TO MINIMIZE LOSSES TO ITS DEPOSITORS AND CREDITORS. NOTWITHSTANDING SECTION 18 OF REPUBLIC ACT NO. 3591, AS AMENDED, THE MONETARY BOARD SHALL PRESCRIBE INTEREST RATES AND SUCH OTHER TERMS AND CONDITIONS OF THE LOAN."

SEC. 32. Section 92 of the same Act is hereby amended to read as follows:

"SEC. 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. [Provided, That issuance of such certificates of indebtedness shall be made only in cases of extraordinary movement in price levels.] 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."

SEC. 33. Section 95 of the same Act is hereby amended to read as follows:

"SEC. 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 non-financial
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."

SEC. 34. Section 101 of the same Act is hereby amended to read as
follows:

"SEC. 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 one-tenth of one percent (1/10 of
1%) per day on the amount of the deficiency or the
prevailing ninety-one-day treasury bill rate plus three
percentage points, whichever is higher: 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 only on the average daily deficiency during the
week. 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."

SEC. 35. Section 104 of the same Act is hereby amended to read as
follows:

"SEC. 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."

SEC. 36. Section 108 of the same Act is hereby amended to read as
follows:

"SEC. 108. Minimum Capital Ratios. — The Monetary
Board may prescribe minimum RISK-BASED CAPITAL
ADEQUACY ratios BASED ON INTERNATIONALLY ACCEPTED
STANDARDS [which the capital and surplus of the banks must
bear to the volume of their assets, or to specific categories
thereof] 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."

SEC. 37. Section 113 of the same Act is hereby amended to read as
follows:

"SEC. 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. and,—a 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 incorporated in the Philippines as the
Monetary Board may AUTHORIZE, designate, subject to such
rules and regulations as the Board may prescribe: Provided,
That such banks may hold deposits of the political
subdivisions and instrumentalities of the Government beyond
their minimum working balances whenever such subdivisions and instrumentalities have outstanding loans with said banks.

"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."

SEC. 38. Section 123 of the same Act is hereby amended to read as follows:

"SEC. 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."

SEC. 39. Section 125 of the same Act is hereby amended to read as follows:

"SEC. 125. Tax Exemptions. — The Bangko Sentral shall be exempt for a period of five (5) years from the approval of this Act from all national, provincial, municipal and city taxes, fees, charges and assessments."
"The exemption authorized in the preceding paragraph of this section shall apply to all property of the Bangko Sentral, to the resources, receipts, expenditures, profits and income of the Bangko Sentral, as well as to all contracts, deeds, documents and transactions related to the conduct of the business of the Bangko Sentral; Provided; however, that said exemptions shall apply only to such taxes, fees, charges and assessments for which the Bangko Sentral itself would otherwise be liable, and shall not apply to taxes, fees, charges, or assessments payable by persons or other entities doing business with the Bangko Sentral; Provided, further, that foreign loans and other obligations of the Bangko Sentral shall be exempt, both as to principal and interest, from any and all taxes if the payment of such taxes has been assumed by the Bangko Sentral."

SEC. 40. Section 128 of the same Act is hereby amended to read as follows:

"SEC. 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; [1] EXCEPT WHEN THE MONETARY BOARD, BY A VOTE OF AT LEAST FIVE (5) OF ITS MEMBERS, DETERMINES THAT SUCH ACQUISITION OR INVESTMENT IS ACTUALLY NECESSARY OR REQUIRED IN ORDER TO QUALIFY FOR MEMBERSHIP IN INTERNATIONAL AND REGIONAL ORGANIZATIONS.

"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."

SEC. 41. Repealing Clause. All provisions of existing laws, orders, rules and regulations, or parts thereof which are in conflict or inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

SEC. 42. Separability Clause. If any provision or section of this Act is held to be unconstitutional or invalid, the other provisions or sections hereof, which are not affected thereby shall continue to be in full force and effect.

SEC. 43. Effectivity. This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in a newspaper of general circulation in the Philippines.