

**MALACAÑANG**

**M a n i l a**

**PRESIDENTIAL DECREE No. 72 November 29, 1972**

**AMENDING REPUBLIC ACT NUMBERED TWO HUNDRED AND SIXTY-FIVE, ENTITLED "THE CENTRAL BANK ACT"**

WHEREAS, there were pending before Congress prior to the promulgation of Proclamation No. 1081, dated September 21, 1972, urgent banking measures proposing amendments to Republic Act No. 265, entitled "The Central Bank Act", which are vital to the national development program of the Government;

WHEREAS, an extensive survey and study of the banking and credit system had been undertaken for the purposes of assessing its adequacy in Philippine economic growth, and of facilitating the savings-investment process in development;

WHEREAS, the result of the survey was an integrated set of recommendations which were accepted, with modifications by the monetary authorities, and made the basis for this decree to effect reforms in the banking system, and to render monetary and credit policies more responsive to the requirements of economic development;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, and in order to effect the desired changes and reforms in the social, economic, and political structure of our society, do hereby order and decree the amendment of Republic Act No. 265, as follows:

Section 1. Section two of Republic Act Numbered Two hundred and sixty-five is hereby amended to read as follows:

"Sec. 2. Responsibilities and objectives. It shall be the responsibility of the Central Bank of the Philippines to administer the monetary, banking, and credit system of the Republic.

"It shall be the duty of the Central Bank to use the powers granted to it under this Act to achieve the following objectives:

"(a) Primarily to maintain internal and external monetary stability in the Philippines, and to preserve the international value of the peso and the convertibility of the peso into other freely convertible currencies; and

"(b) To foster monetary, credit and exchange conditions conducive to a balanced and sustainable growth of the economy."

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

"Sec. 5. Composition of the Monetary Board. The powers and functions of the Central Bank shall be exercised by a Monetary Board, which shall be composed of seven members, as follows:

"(a) The Governor, who shall be the Chairman of the Monetary Board. The Governor shall appointed for a term of six years by the President of the Philippines with the consent of the Commission on Appointments. Whenever the Governor is unable to attend a meeting of the Board, the Senior Deputy-Governor shall act as Chairman.

"(b) The Secretary of Finance. Whenever the Secretary of Finance is unable to attend a meeting of the Board, he shall designate an undersecretary to attend as his alternate;

"(c) The Director General of the National Economic Development Authority. Whenever the Director General is unable to attend a meeting of the Board, he shall designate a deputy director-general of the Authority to attend as his alternate;

"(d) The Chairman of the Board of Investments. Whenever the Chairman of the Board of Investments is unable to attend a meeting of the Board, he shall designate a governor of the Board of Investments to attend as his alternate;

"(e) In lieu of any of the officials named in subsection "C" or "D" above, such head of any other financial or economic agency or department of the Government as the President of the Philippines may determine;

"(f) Three part-time members from the private sector, to be appointed for terms of six years by the President with the consent of the Commission on Appointments: Provided, however, That the first members appointed under the provisions of this subsection shall have terms of office of two, four and six years, respectively.

"In making appointments to the Monetary Board, the President of the Philippines shall base his selection on the integrity, experience and expertise of the appointee."

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

"Sec. 7. Qualifications. No person shall be appointed as a member of the Monetary Board or as a deputy-governor of the Central Bank unless he be of good moral character and of unquestionable integrity and responsibility, and who is of recognized competence in economics, banking, finance, commerce, agriculture or industry: Provided, however, That the Governor and deputy-governors of the Central Bank must be of recognized competence in the field of banking: Provided, further, That the Governor and the members of the Monetary Board shall be natural-born Filipino citizens."

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

"Sec. 8. Disqualifications. None of the following may be a member of the Monetary Board or a deputy-governor of the Central Bank:

"(a) Persons holding any public position or office, either by election or by appointment, except those holding academic positions and the ex-officio members and their respective alternates; and

"(b) Directors, officers, employees, consultants, or stockholders of other banking or other financial institutions subject to supervision, regulation or examination by the Central Bank, except non-stock savings and loan associations and provident funds organized exclusively for employees of the Central Bank.

Section 5. Section ten of the same Act is hereby amended to read as follows:

"Sec. 10. Meetings. The Monetary Board shall convene as frequently as is necessary to discharge its responsibilities properly, but shall meet at least once every two weeks. The Board may be convoked either by the Secretary of Finance or by the Governor of the Central Bank.

"The presence of four members shall constitute a quorum.

"All decisions of the Monetary Board shall require the concurrence of at least four members, except in special cases where the provisions of other sections of this Act demand a greater majority."

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

"Sec. 11. Attendance of the Senior Deputy-Governor and the Deputy-Governor for Economic Research. The Senior Deputy-Governor of the Central Bank and the Deputy-Governor for Economic Research shall attend the meetings of the Monetary Board with the right to be heard but not to vote."

Section 7. Section twelve of the same Act is hereby amended to read as follows:

"Sec. 12. Remuneration of members for attending meetings of the Board. The members of the Monetary Board or their respective substitutes, except the Governor and the Senior Deputy-Governor, shall receive a per diem for every Board meeting attended. The amount of per diem shall be set by the President but may not exceed two hundred fifty (P250) pesos, nor the sum of two hundred thousand five hundred (P2,500) pesos for any single month."

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

"Sec. 13. Withdrawal of persons having a personal interest. Whenever any member attending a meeting of the Monetary Board has a personal interest of any sort in the discussion or resolution of any given matter, or any of his business associates or any of his relatives within the fourth degree of consanguinity or second degree of affinity has such an interest, said member shall not participate in the discussion or resolution of the matter and must retire from the meeting during the deliberations thereon. The subject matter, when resolved, and the fact that a member had a personal interest in it, shall be made available to the public. The minutes of the meeting shall note the withdrawal of the member concerned."

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

"Sec. 14. Exercise of authority. In order to exercise the authority granted to it under this Act, the Monetary Board shall:

"(a) Prepare and issue rules and regulations as it considers necessary for the effective discharge of the responsibilities and exercise of the powers assigned to the Monetary Board and to the Central Bank under this Act;

"(b) Direct the management, operations and administration of the Central Bank and prepare such rules and regulations as it may deem necessary or convenient for this purpose;

"(c) On the recommendation of the Governor, appoint, fix the remunerations and other emoluments, and remove personnel of the Central Bank, with the exception of the Governor: Provided, That the Monetary Board shall have exclusive and final authority to promote, transfer, assign, or reassign personnel of the Central Bank and these personnel actions are deemed made in the interest of the service and not disciplinary, any provisions of existing law to the contrary notwithstanding; and

"(d) Authorize such expenditures by the Central Bank as are in the interest of the effective administration and operations of the Bank."

Section 10. Section fifteen of the same Act is hereby amended to read as follows:

"Sec. 15. Responsibility. Any member of the Monetary Board or officer or employee of the Central Bank who willfully violates this Act or who is guilty of gross negligence in the performance of his duties shall be held liable for any loss or injury suffered by the Bank as a result of such violation or

negligence. Similar responsibility shall apply to the disclosure of any information of a confidential nature about the discussions or resolutions of the Monetary Board, except as required in Section 13 of this Act, or about the operations of the Bank, and to the use of such information for personal gain or to the detriment of the Government, the Bank or third parties."

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

"Sec. 20. Remuneration of the Governor. The salary of the Governor of the Central Bank shall be fixed by the Monetary Board with the approval of the President of the Philippines at a sum commensurate to the importance and the responsibility attached to the position. The salary and allowances and other emoluments which the Monetary Board may grant the Governor shall be the ceiling for fixing the salary, allowances and other emoluments of all other personnel in the Central Bank."

Section 12. Section twenty-one of the same Act is hereby amended to read as follows:

"Sec. 21. Deputy-Governors. The Governor of the Central Bank, with the approval of the Monetary Board, shall appoint one senior deputy-governor and not more than five deputy-governors. They shall perform duties as may be assigned to them by the Governor and the Board.

"In the absence of the Governor of the Central Bank, the Senior Deputy-Governor shall act as chief executive of the Central Bank 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, the Senior Deputy-Governor shall be vested with authority to participate and exercise the right to vote in such meetings. He shall have supervisory authority over the other deputy-governor and such other line authority as may be delegated by the Governor and the Monetary Board.

"The other deputy-governors shall be assigned specific areas of responsibility such as, but not necessarily limited to, bank supervision, economic research, operations and administration: Provided, however, That the Deputy-Governor for Supervision shall be in charge of all bank supervision and examination."

Section 13. Section twenty-three of the same Act is hereby amended to read as follows:

"Sec. 23. Authority to obtain information. The Department of Economic Research shall have the authority to request from any person or entity, including Government offices and instrumentalities, any data which the Central Bank may require for the proper discharge of its functions and responsibilities. The Central Bank shall have the power to issue a subpoena for the production of the books and records of all such persons and entities for the aforesaid purpose. Those who refuse without justifiable cause the subpoena to supply the Bank with data requested or required, shall be subject to the penalties provided in Section 32.

"Data on individual firms, other than banks, gathered for statistical purposes by the Department of Economic Research and other departments or units of the Central Bank shall not be made available to any person or entity outside of the Central Bank whether public or private: Provided, however, That this prohibition shall not refer to the collective data on firms: Provided, further, That in the case of data on banks, the provisions of Section 27 of this Act shall apply."

Section 14. Section twenty-four of the same Act is hereby amended to read as follows:

"Sec. 24. Training of technical personnel. The Central Bank shall promote and sponsor the training of technical personnel in the field of money and banking. Toward this end, the Central Bank is hereby authorized to defray the costs of study, at home or abroad, of outstanding employees of the Bank, 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 Bank."

Section 15. Title B, Article IV, of Chapter I of the same Act is hereby changed to read as follows:

"Art IV. Department of the Central Bank

"A ...

"B SUPERVISION AND EXAMINATION DEPARTMENTS."

Section 16. Section twenty-five of the same Act is hereby amended to read as follows:

"Sec. 25. Creation of the appropriate departments. In order to assure the observance of this Act and of other pertinent laws, and of the rules and regulations of the Monetary Board, the Central Bank shall have appropriate supervising and examining departments which shall be charged with the supervision and periodic examination of specific categories of banking institutions operating in the Philippines, including all Government credit institutions. The supervising and examining departments shall discharge their responsibilities in accordance with the instructions of the Monetary Board. The supervising and examining departments shall be directly supervised and coordinated by the Deputy-Governor for Supervision.

"The department heads and the examiners of the supervising and examining departments are hereby authorized to administer oaths to any director, officer, or employee of any institution under their respective supervision 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."

Section 17. Section twenty-six of the same Act is hereby amended to read as follows:

"Sec. 26. Qualifications. The Deputy-Governor for Supervision, in addition to the qualifications required in Section 7 of this Act, and the heads of the supervising and examining department, must be persons of recognized integrity and competence in accounting, auditing and banking practice."

Section 18. Section twenty-seven of the same Act is hereby amended to read as follows:

"Sec. 27. Prohibitions. Personnel of the Central Bank are hereby prohibited from:

"(a) Being an officer, director, employee, or stockholder, directly or indirectly, of any institution subject to supervision or examination by the Central Bank, except non-stock savings and loan associations and provident funds organized exclusively for employees of the Central Bank;

"(b) Receiving any gift or thing of value from any officer, director, or employee thereof;

"(c) Revealing in any manner, except under order of the court, information relating to the condition or business of any such institution. This prohibition shall not be held to apply to the giving of information to the Monetary Board or the Governor of the Central Bank, or to any person authorized by either of them, in writing, to receive such information.



"Borrowing from a banking institution by examiners and other personnel of the supervising and examining departments of the Central Bank shall be prohibited only with respect to the particular bank in which they are assigned, or are conducting an examination. Personnel of other departments, offices, or units of the Central Bank shall likewise be prohibited from borrowing from any banking institution during the period of time that an application with the Central Bank of such institution is being evaluated, processed, or acted upon by such personnel: Provided, however, That the Monetary Board may, at its discretion, indicate the position levels or functional groups to which the prohibition is applicable.

"Borrowing by all full-time Central Bank personnel from banks shall be fully secured, fully disclosed to the Monetary Board, and shall be subject to such further rules and regulations as the Monetary Board may prescribe."

Section 19. Section twenty-eight of the same Act is hereby amended to read as follows:

"Sec. 28. Examination and fees. It shall be the duty of the head of the appropriate supervising and examining departments, personally or by deputy, at least once in every twelve months, and at such other times as either he or the Monetary Board may deem expedient, to make an examination of the books of every banking institution within the purview of this Act and to make a report on the same to the Monetary Board.

"Every such institution shall afford to the head of the appropriate supervising and examining departments and to his authorized deputies full opportunity to examine its books, cash and available assets and general condition at any time when requested so to do by the Central Bank: Provided, however, That none of the reports and other papers relative to such examination shall be open to inspection by the public except insofar as such publicity is incidental to the proceeding hereinafter authorized or is necessary for the prosecution of violations in connection with the business of such institutions.

"The institutions which are subject to examination by the Central Bank shall reimburse the Central Bank for the cost of maintaining the corresponding supervising and examining department and, for this purpose, shall pay to the Central Bank, within the first thirty days of each year, an annual fee in an amount to be determined by the Monetary Board in the manner provided in the next paragraph of this section.

"The fee to be paid by each institution shall be an amount equal to a prescribed percentage of its average total assets during the preceding year, as shown on its end-of-month balance sheets, after deducting its cash on hand and amounts due from banks, including the Central Bank and the banks abroad: Provided, however, That said percentage may not exceed one twentieth of one percent (1/20 of 1%). If the total of the maximum fees authorized under this paragraph should be insufficient to defray the entire costs of the department, the difference shall be borne by the Central Bank."

Section 20. A new section is hereby added after section twenty-eight of the same Act to read as follows:

"Sec. 28-A. Appointment of conservator. Whenever, on the basis of a report submitted by the appropriate supervising and examining department, the Monetary Board finds that a bank is in a state of continuing inability or unwillingness to maintain a condition of solvency and liquidity deemed adequate to protect the interest of depositors and creditors, the Monetary Board may appoint a conservator to take charge of the assets, liabilities, and the management of that banking institution, collect all monies and debts due said bank and exercise all powers necessary to preserve the assets of the bank, reorganize the management thereof and restore its viability. He shall have the power to overrule or revoke the actions of the previous management and board of directors of the bank, any provision of law to the contrary notwithstanding, and such other powers as the Monetary Board shall deem necessary.

"As much as practicable, the conservator should not be connected with the Central Bank but should be competent and knowledgeable in bank operations and management. The remuneration of the conservator and other expenses attendant to the conservatorship shall be borne by the bank concerned. He shall report and be responsible to the Monetary Board until such time as the Monetary Board is satisfied that the banking 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 banking institution would involve probable loss to its depositors or creditors, in which case the provision of Section 29 shall apply."

Section 21. Section twenty-nine of the same Act is hereby amended to read as follows:

"Sec. 29. Proceedings upon insolvency. Whenever, upon examination by the head of the appropriate supervising and examining department or his examiners or agents into the condition of any banking institution, it shall be disclosed that the condition of the same is one of insolvency, or that its continuance in business would involve probable loss to its depositors or creditors, it shall be the duty of the department head concerned forthwith, in writing, to inform the Monetary Board of the facts,

and the Board, upon finding the statements of the department head to be true, shall forthwith forbid the institution to do business in the Philippines and shall designate an official of the Central Bank as receiver to immediately take charge of its assets and liabilities, as expeditiously as possible collect and gather all the assets and administer the same for the benefit of its creditors, and exercising all the powers necessary for these purposes including, but not limited to, bringing suits and foreclosing mortgages in the name of the banking institution.

"The Monetary Board shall thereupon determine within thirty days whether the institution may be reorganized or otherwise placed in such a condition so that it may be permitted to resume business with safety to its creditors and shall prescribe the conditions under which such resumption of business shall take place as well as the time for fulfillment of such conditions. In such case, the expenses and fees in the collection and administration of the assets of the institution shall be determined by the Board and shall be paid to the Central Bank out of the assets of such banking institution.

"At any time within ten days after the Monetary Board has taken charge of the assets of any banking institution, such institution may apply to the Court of First Instance for an order requiring the Monetary Board to show cause why its designated official should not be enjoined from continuing such charge of its assets, and the court may direct the Board to refrain from further proceedings and to surrender charge of its assets.

"If the Monetary Board shall determine that the banking institution cannot resume business with safety to its creditors, it shall by the Solicitor General, file a petition in the Court of First Instance reciting the proceedings which have been taken and praying the assistance and supervision of the court in the liquidation of the affairs of the same. The Monetary Board shall designate an official of the Central Bank as liquidator who shall, under the supervision of the court and with all convenient speed, convert the assets of the banking institution to money or sell, assign or otherwise dispose of the same to creditors and other parties for the purpose of paying the debts of such institution."

Section 22. Section thirty-two of the same Act is hereby amended to read as follows:

"Sec. 32. Refusal to make reports or permit examination. Any owner, agent, manager, or other officer-in-charge of any banking institution within the purview of this Act who, being thereunto required in writing by the Monetary Board or by the head of the appropriate supervising and examining department, shall willfully refuse to file the required report or permit any lawful examination into the affairs of such institution shall be punished by a fine of not more than ten thousand pesos or by imprisonment for not more than one year, or both, in the discretion of the court."

Section 23. Section thirty-three of the same Act is hereby amended to read as follows:

"Sec. 33. False statement. The willful making of a false statement to the Monetary Board or to be the head of the appropriate supervising and examining department or to his examiners shall be punished by a fine not to exceed fifteen thousand pesos, or by imprisonment for a term not to exceed two years, or both, in the discretion of the court."

Section 24. Section thirty-four of the same Act is hereby amended to read as follows:

"Sec. 34. Proceedings upon violation of laws and regulations. Whenever any person or entity willfully violates this Act or any order, instruction, rule or regulations issued by the Monetary Board, the person or persons responsible for such violation shall be punished by a fine of not more than twenty thousand pesos and by imprisonment of not more than five years.

"Whenever a banking institution persists in violating its charter or by-laws or any law, or orders, instructions, rules or regulations issued by the Monetary Board, or whenever a banking institution 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 34-A of this Act, file a petition in the Court of First Instance praying the assistance of the court to compel the banking institution to discontinue the violations or practices objected to in the petition of the Board. The Monetary Board may, with the approval of the court, take such action as the court may deem necessary to compel the banking institution complained against to discontinue the violations or practices set forth in the Board's petition, and, if necessary, the Board may, under order of the court, direct an official of the Central Bank to liquidate the business of the institution."

Section 25. A new section is hereby added after section thirty-four of the same Act to read as follows:

"Sec. 34-A. Administrative sanctions. The Monetary Board is hereby authorized, at its discretion, to impose upon banking institutions, their directors and/or officers, for any willful delay in the submission of reports; any refusal to permit examination into the affairs of the institution; any willful making of a false statement to the Board or to 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:

"(a) Fines not in excess of five hundred pesos a day;

"(b) Suspension, or after due hearing, removal of directors and/or officers;

"(c) Suspension of rediscounting privileges;

"(d) Suspension of lending or foreign exchange operations or authority to accept new deposits or make investments;

"(e) Suspension of inter-bank clearing privileges; and/or

"(f) Suspension of authority to operate.

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

"Except in the appointment of a conservator and proceedings upon insolvency as provided for under Sections 28-A and 29 of this Act, the Governor is authorized to 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 banking laws, implementation of Monetary Board regulations, policies or instructions pertaining to institutions supervised by the Central Bank, including their method of accounting or manner of keeping the accounts, books and financial records, and their submission of reports.

"The Governor is likewise hereby authorized, at his discretion, to impose upon banking institution, for any failure to comply with the requirements of law, Monetary regulations and policies, and/or instructions issued by the Monetary Board or by the Governor, fines not in excess of five hundred pesos a day, the imposition of which shall be final and executory until reversed, modified or lifted by the Monetary Board on appeal.

"Administrative sanctions shall be applied to all banks of the same category uniformly and without discrimination."

Section 26. Section thirty-seven of the same Act is hereby amended to read as follows:

"Sec. 37. Annual report. Before the end of March of each year, the Central Bank shall submit to the President of the Philippines, to the Senate through its President, to the House of Representatives through its Speaker, and shall publish an annual report on the condition of the Bank and 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 Central Bank and a statistical appendix which shall present, as a minimum, the following data:

"(a) The monthly movement of the money supply, distinguishing between currency and deposit money;

"(b) The monthly movement of purchases and sales of exchange and of the international reserve of the Bank;

"(c) The balance of payments of the Philippines;

"(d) Monthly indices of wages, of the cost of living and of imports 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 Central Bank and of other banks, by groupings and classifications to be determined by the head of the Department of Economic Research in agreement with the heads of the appropriate supervising and examining departments;

"(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 Monetary Board during the year which relate to the functions or operations of the Central Bank or of banking institutions operating in the Philippines."

Section 27. Section forty-four of the same Act is hereby amended to read as follows:

"Sec. 44. Revaluation profits and losses. The revaluation and other profits or losses made or assumed by the Central Bank in accordance with the provisions of Sections 77 and 83 of this Act shall not be included in the computation of the annual profits and losses of the Central Bank.

"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 inter-governmental financial institution of which the Philippines is a member or are owed by these institutions to the Philippines. Any remaining profit or loss shall be carried in a special frozen account which shall be named "Revaluation of International Reserve" and the net balance of which shall appear either among the liabilities or among the assets of the Central Bank, depending on whether the revaluations have produced net profits or net losses.

"The Revaluations of International Reserve account shall be neither credited nor debited for any purposes other than those specifically authorized in the present section or in Section 45 of this Act."

Section 28. Section forty-six of the same Act is hereby amended to read as follows:

"Sec. 46. Appointment and personnel. The Auditor-General shall act as the ex-officio Auditor of the Central Bank and, as such he is empowered and authorized to appoint a representative who shall be the Auditor of the Central Bank and, in accordance with law, fix his salary, and to appoint and fix the salaries and number of the personnel to assist said representative in his work, but in all cases subject to the approval of the Monetary Board. The salaries and all other expenses of the maintaining the Auditor's office shall be paid by the Central Bank. The Auditor of the Central Bank and personnel under him may be removed only by the Auditor-General.

"The representative of the Auditor-General must be a certified public accountant with at least ten years experience as certified public accountant or a person who has had training and experience in

commercial or central banking. No relative of any member of the Monetary Board or the Auditor-General within the sixth degree of consanguinity or affinity shall be appointed such representative."

Section 29. Section forty-nine of the same Act is hereby amended to read as follows:

"Sec. 49. Changes in par value; deviations therefrom. The par value of the peso shall not be altered except when such action is made necessary by the following circumstances:

"(a) When the existing par value would make impossible the achievement and maintenance of a balanced and sustainable growth of the economy without:

"(1) The depletion of the international reserve of the Central Bank; or

"(2) The chronic use of restrictions on a convertibility of the peso into foreign currencies or on the transferability abroad of funds from the Philippines; or

"(3) Undue Government intervention in, or restriction of, the international flow of goods and services; or

"(b) When uniform proportionate changes in par values made by countries which are members of the International Monetary Fund; or

"(c) When the operation of any executive or international agreement to which the Republic of the Philippines is a party requires an alteration in the gold value of the peso.

"Any modification in the gold or dollar value of the peso must be in conformity with the provisions of all executive and international agreements subscribed to and ratified by the Republic of the Philippines, and such modification shall be made only by the President of the Republic upon the proposal of the Monetary Board and with the approval of Congress. The proposal of the Monetary Board shall require the concurrence of at least five of the members of the Board.



"Notwithstanding the provisions of the preceding paragraph with respect to the approval of Congress, if there should be an emergency which, in the opinion of the President, is so grave and so urgent as to require immediate action, the President may modify the par value of the peso without the prior approval of Congress: Provided, however, That he shall report to the Congress on his action at the earliest opportunity.

"In order to permit the exchange rate system to be more responsive to domestic and external developments, whenever indicated and not necessarily under emergency conditions alone, the Monetary Board, with the concurrence of at least five of its members, and with the approval of the President of the Philippines, is authorized to set or change the exchange rate or rates for the peso, which may differ from its par value."

Section 30. Section fifty-two of the same Act is hereby amended to read as follows:

"Sec. 52. Issue power. The Central Bank shall have the sole right 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 Central Bank notes without prior authority from the Bank.

"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 Central Bank notes.

"The Central Bank 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."

Section 31. Section fifty-four of the same Act is hereby amended to read as follows:

"Sec. 54. Legal tender power. All notes and coins issued by the Central Bank shall 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 coins shall be legal tender in amounts not exceeding fifty pesos for denominations from ten centavos to one peso, and in amounts not exceeding twenty pesos for denominations of five centavos or less."

Section 32. Section sixty-three of the same Act is hereby amended to read as follows:

"Sec. 63. Legal character. Checks representing deposit money 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."

Section 33. Section sixty-four of the same Act is hereby amended to read as follows:

"Sec. 64. Guiding principle. The Monetary Board shall endeavor to control any expansion or contraction in the money supply, in the level of credit, or any rise or fall in prices, which, in the opinion of the Board, is prejudicial to the attainment or maintenance of a balanced and sustainable growth of the economy. In adopting policies and measures in accordance with this principle, the Monetary Board shall have due regard for their effects on the availability and cost of money and credit to particular sectors of the economy as well as to the economy as a whole, and their effect on the relationship of domestic prices and costs to world prices and costs."

Section 34. Section sixty-five of the same Act is hereby amended to read as follows:

"Sec. 65. Power to define terms. For the purposes of this article and of this Act, the Monetary Board shall formulate definitions of money supply, credit and prices; and whenever the need arises, change these definitions but not oftener than once every twelve months and such definitions as well as any changes thereof shall be made public. The statistics prepared by the Central Bank on money supply, credit and prices shall be based on these definitions to the extent that available data permit."

Section 35. Section sixty-six of the same Act is hereby amended to read as follows:

"Sec. 66. Action when abnormal movements occur in the money supply, credit, or price level. Whenever abnormal movements in the money supply, 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 Central Bank 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 and fall of the money supply, of credit or of price;

"(2) The extent to which the changes in the money supply, 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 its recommendations be adopted.

"Whenever the money supply, or the level of credit, increases or decreases by more than fifteen per cent (15%), or the cost of living index increases by more than ten per cent (10%), in relation to the level existing at the end of the corresponding month of the preceding year, or even though any of these quantitative guidelines have not been reached when in its judgment the circumstances so warrant, the Monetary Board shall submit the report to which reference is made in subsection (b) of this section, and shall state therein whether, in the opinion of the Board, said changes in the money supply, 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 until it considers that the monetary, credit or price disturbances have disappeared or have been adequately controlled."

Section 36. Section sixty-seven of the same Act is hereby amended to read as follows:

"Sec. 67. Guiding principle. The Central Bank of the Philippines shall exercise its powers under this Act to maintain the par value of the peso and the convertibility of the peso into other freely convertible currencies primarily for, although not necessarily limited to, current payments for foreign trade and invisibles."

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

"Sec. 70. Action when the international stability of the peso is threatened. Whenever the international reserve of the Central Bank falls to an amount which the Monetary Board considers inadequate to meet the prospective net demands on the Central Bank 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 result of payments or remittances abroad which, in the option 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 Central Bank under the provisions of this Act; and

"(b) Submit to the President of the Philippines 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 further monetary, fiscal or administrative measures 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 Central Bank, 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 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 until the threat to the international monetary stability of the Philippines has disappeared."

Section 38. Section seventy-two of the same Act is hereby amended to read as follows:

"Sec. 72. Purchases and sales of gold. The Central Bank may buy and sell gold in any form, subject to such regulations as the Monetary Board may issue.

"The Monetary Board may at any time require that any gold held by any person or entity under the jurisdiction of the Philippines be delivered to the Central Bank or to any banks or other agents contracted or engaged by the Central Bank for the purpose. The Monetary Board may also impose conditions under which gold in any shape or form may be acquired and held, transported, melted, or treated, imported, exported, earmarked or held in custody for foreign or domestic account.

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

Section 39. Section seventy-three of the same Act is hereby amended to read as follows:

"Sec. 73. Purchases and sales of foreign exchange. The Central Bank may buy and sell foreign notes and coins, and documents and instruments of types customarily employed for the international transfer of funds. The Bank may engage in future exchange operations.

"The Central Bank 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 Central Bank shall, 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 Central Bank shall effect its exchange transactions between foreign currencies and the Philippine peso at the rates determined in accordance with the provisions of Section 76."

Section 40. Section seventy-four of the same Act is hereby amended to read as follows:

"Sec. 74. Emergency restrictions on exchange operations. Notwithstanding the provisions of the third paragraph of the preceding section, in order to achieve the objectives of the Central Bank as set forth in Section 2 of this Act, or protect the international reserve of the Central Bank 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 of its members and with the approval of the President of the Philippines, may temporarily suspend or restrict sales and exchange by the Central Bank, may subject all transactions in gold and foreign exchange to license by the Central Bank, and may require that any foreign exchange thereafter obtained by any person residing or entity operating in the Philippines be delivered to the Central Bank or to any bank or agent designated by the Central Bank for the purpose, at the effective exchange rate or rates: Provided, however, That foreign currency deposits made under Republic Act Numbered Sixty-four hundred and twenty-six shall be exempt from these requirements. The adoption of the emergency measures authorized in this section shall be subject to any executive and international agreements to which the Republic of the Philippines is a party."

Section 41. Section seventy-six of the same Act is hereby amended to read as follows:

"Sec. 76. Exchange rates. The Monetary Board shall determine the rates at which the Central Bank shall buy and sell spot exchange, and shall establish deviation limits from the effective exchange rate or rates as it may deem proper. The Central Bank 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 Central Bank, 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 42. Section seventy-seven of the same Act is hereby amended to read as follows:

"Sec. 77. Revaluation and other profits and losses on Central Bank's international assets. The profits or losses arising from any revaluation of the Central Bank's net assets or liabilities in gold or foreign currencies as a result of changes in the gold value of the peso, or of changes in the parities or exchange rates of foreign currencies with respect to the Philippine Peso, and those arising from any other transactions of the Central Bank in gold or foreign exchange, shall be distributed in the manner provided in Section 44 of this Act."

Section 43. Section seventy-nine of the same Act is hereby amended to read as follows:

"Sec. 79. Rates applicable to purchases and sales of exchange by the banks. The Monetary Board shall determine the minimum and maximum rates at which the banks may buy spot exchange, and the maximum and minimum rates at which they may sell spot exchange, and shall establish deviation limits from the effective exchange rate or rates as it may deem proper. The banks shall not collect any additional commissions or charges other than actual telegraphic or cable costs incurred by them.

"The rates to be used by the banks for other types of exchange transactions shall be based on their spot exchange rates and shall not differ from such rates by margins greater than those considered reasonable by the Monetary Board: Provided, however, That the Board may at any time specifically fix such margins. The Monetary Board shall issue such rules and regulations as may be necessary to implement the provisions of this paragraph.

"The rates established in accordance with the provisions of this section shall not apply to exchange transactions with the Central Bank. Such transactions shall be made at the rates established in accordance with the provisions of Section 76 of this Act."

Section 44. The subtitle of section eighty-four of the same Act is hereby amended to read as follows:

"Sec. 84. Other exchange profits and losses."

Section 45. Section eighty-seven of the same Act is hereby amended to read as follows:

"Sec. 87. Authorized types of operations. Subject to the principles stated in the preceding section of this Act, the Central Bank may normally and regularly carry on the following credit operations with banking institutions operating in the Philippines:

"(a) Commercial credits. The Central Bank may rediscount, buy and sell bills, acceptances, promissory notes and other credit instruments with maturities of not more than 180 days from the date of their rediscount, discount or acquisition by the Central Bank 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 nonperishable 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 Central Bank may rediscount, discount, buy and sell bills, acceptances, promissory notes and other credit instruments having maturities of not more than 360 days from the date of their rediscount, discount or acquisition by the Central Bank 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 Bank 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.

"(b-1) 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 Central Bank shall prescribe. Whenever necessary, the Central Bank shall



provide funds from non-inflationary sources: Provided, however, That the Monetary Board shall prescribe additional safeguards for disbursing these funds.

"(c) Advances. The Central Bank may grant advances against the following kinds of collaterals for fixed periods which, with the exception of advances against the collateral named in clause (4) of the present subsection, shall not exceed 180 days:

"(1) Gold coins or bullion;

"(2) Securities representing obligations of the Central Bank or of other domestic credit 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 360 days;

"(5) Utilized portions of advances in current account 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 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 years from the date of the 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 (c) of this section may not exceed 80 per cent of the current market value of the collateral."

Section 46. Title C, Article IV, of Chapter IV of the same Act is hereby amended to read as follows:

"C. SPECIAL CREDIT OPERATIONS"

Section 47. Section eighty-eight of the same Act is hereby amended as follows:

"Sec. 88. Loans to long-term lending institutions. A. Under special circumstances in which the Monetary Board considers it advisable to promote or facilitate the lending operations, or certain classes thereof, of banking institutions engaged in long-term financing, the Central Bank may grant loans or advances to said institutions against pledge or assignment of payments, installments or amortizations of their borrowers and in an amount not exceeding forty per cent (40%) of the payments, installments or amortizations pledged or assigned: Provided, however, That the Central Bank shall finance said loans from non-inflationary sources and shall establish additional safeguards as it may deem proper.

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

"B. Under special circumstances, such as the encouragement of bank mergers and consolidations, in which the Monetary Board considers it advisable to properly and effectively achieve the objectives mentioned in Section 2 of this Act and to discharge its responsibility of administering the banking system, the Central Bank may grant loans or advances to the Development Bank of the Philippines or to any appropriate Government financial institution under such terms and conditions as may be prescribed by the Monetary Board which loans or advances shall be used by the Development Bank of the Philippines or such Government financial institution to purchase shares of stock of a banking institution in the Philippines for resale to the general public: Provided, however, That the amounts of such loans and advances which may be released at any given period of time shall be compatible with the requirements of stability: And Provided, further, That such loans and advances are secured by assets which are defined as acceptable security by a concurrent vote of at least five members of the Monetary Board.

"For the purpose of this subsection, the Development Bank of the Philippines shall be authorized to underwrite, purchase, sell, pledge, mortgage or otherwise dispose of shares of stock of a banking institution in the Philippines."

Section 48. Section ninety of the same Act is hereby amended to read as follows:

"Sec. 90. Emergency loans and advances. In periods of emergency or of imminent financial panic which directly threaten monetary and banking stability, the Central Bank may grant banking institutions extraordinary advances secured by any assets which are defined as acceptable security by a concurrent vote of at least five members of the Monetary Board. While such advances are outstanding, the debtor institution may not expand the total volume of its loans or investments without the prior authorization of the Monetary Board.

"The Central Bank may, at its discretion, likewise grant 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 about 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 clearly realizable assets to secure the advances: Provided, further, That a concurrent vote of at least five members of the Monetary Board is obtained.

"In connection with the exercise of these powers, the prohibitions in Section 133 of this Act shall not apply insofar as it refers to acceptance as collateral of shares issued by commercial, industrial and non-financial enterprises, but not shares issued by banking institutions: Provided, however, That should the Central Bank acquire any of these shares it has accepted as collateral as a result of foreclosure proceedings, the Central Bank shall dispose of said shares to the public within one year from the date of consolidation of title by the Central Bank."

Section 40. Section ninety-one of the same Act is hereby amended to read as follows:

"Sec. 91. Interest and rediscount rates. The Monetary Board shall fix the interest and rediscount rates to be charged by the Central Bank 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 Central Bank'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 50. Section ninety-five of the same Act is hereby amended to read as follows:

"Sec. 95. Provisional advances to the Government. The Central Bank may make direct provisional advances to the Government or to any of its political subdivisions to finance expenditures authorized in the annual appropriations of the borrowing entity: Provided: That said advances must be repaid before the end of the first quarter following the end of the fiscal year of the Government or political subdivision and shall not, in their aggregate, exceed twenty percent (20%) of the average annual income of the borrower for the last three preceding fiscal years."

Section 51. Section one hundred of the same Act is hereby amended to read as follows:

"Sec. 100. Reserve requirements. In order to control the volume of money created by the credit operations of the banking system, banks operating in the Philippines shall be required to maintain reserves against their deposit liabilities. 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 Central Bank of the Philippines; nevertheless, the Monetary Board may, whenever circumstances warrant, permit the maintenance of part of the required reserves in the form of assets other than peso deposits with the Central Bank. Reserve requirements shall be applied to all banks of the same category uniformly and without discrimination.

"The Monetary Board may, at its discretion, require banks and/or other financial institutions to maintain reserves against their liabilities for deposit substitutes as defined in this Act and as determined by the Monetary Board for this purpose. 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, in appropriate cases, deposit substitutes, with remaining maturities of two years or more."

Section 52. A new section is hereby added after section one hundred of the same Act to read as follows:

"Sec. 100-A. 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, trust certificates and repurchase agreements. The Monetary Board shall determine what specific instruments shall be considered as deposit substitutes for the purpose of Sections 100 and 109; Provided, however, That deposit substitutes of commercial, industrial and other non-financial companies issued 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 100 and 109."

Section 53. Section one hundred six of the same Act is hereby amended to read as follows:

"Sec. 106. Reserve deficiencies. Whenever the reserve position of any bank, computed in the manner specified in the preceding section of this Act, is below the required minimum, the bank shall pay the Central bank one-tenth of one per cent (1/10 of 1%) per day on the amount of the deficiency: Provided, however, That 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 the privilege of offsetting reserve deficiencies in the aforesaid manner.

"If a bank chronically has a reserve deficiency, the Monetary Board may limit or prohibit the making of new loans or investments by the bank and may require that part or all of the net profits of the bank 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 bank strike or lockout as defined in the Industrial Peace Act, or of a national emergency affecting bank operation."

Section 54. Section one hundred seven of the same Act is hereby amended to read as follows:

"Sec. 107. Interbank settlements. The Central Bank shall establish nationwide facilities to provide interbank clearing at no cost to the banks.

"The deposit reserves maintained by the banks in the Central Bank, in accordance with the provisions of Section 100, shall serve as a 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."

Section 55. Section one hundred eight of the same Act is hereby amended to read as follows:

"Sec. 108. Guiding principle. The Monetary Board shall use the powers granted to it under the present article and elsewhere in 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 uniformly and without discrimination."

Section 56. Section one hundred nine of the same Act is hereby amended to read as follows:

"Sec. 109. Interest rates, commissions and charges. The Monetary Board may fix the maximum rates of interest, expressed as simple annual rates, which banks may pay on deposits, on deposit substitutes and on other obligations. The Monetary Board may provide interest rate differentials on the basis of maturity and size of deposits, deposit substitutes and other obligations of banks. The Monetary Board may eliminate interest rate ceilings for deposits, deposit substitutes, and other obligations of banks above a specified amount or exempt from interest rate ceilings deposits, deposit substitutes, and other obligations with remaining maturities of two years or more.

"The Monetary Board may, at its discretion, fix the maximum rates of interest, expressed as simple annual rates, which other financial institutions may pay on deposit substitutes; and/or may provide interest rate differential on the basis of maturity and size of deposit substitutes; and/or eliminate rate ceilings for deposit substitutes above a specified amount; and/or exempt from interest rate ceilings deposit substitutes with remaining maturities of two years or more.

"The Monetary Board may, within the limits prescribed in the Usury Law (Act No. 2655, as amended), fix the maximum rates of interest which banks may charge for different types of loans and for any other credit operations, or may fix the maximum differences which may exist between the interest or rediscount rates of the Central Bank and the rates which the banks may charge their customers if the respective credit documents are not to lose their eligibility for rediscount or advances in the Central Bank.

"Any modifications in the maximum interest rates permitted for the borrowing or lending operations of the banks shall apply only to future operations and not to those made prior to the date on which the modification becomes effective.

"In order to avoid possible evasion of maximum interest rates set by the Monetary Board, the Board may also fix the maximum rates that banks may pay to or collect from their customers in the form of commissions, discounts, charges, fees or payments of any sort."

Section 57. Section one hundred eighteen of the same Act is hereby amended to read as follows:

"Sec. 118. Official deposits. The Central Bank shall be the official depository of the Government, its political subdivisions and instrumentalities as well as of government-owned or controlled corporations and, as a general policy, their cash balances should be deposited with the Central Bank, with only minimum working balances to be held by government-owned banks and such other banks incorporated in the Philippines as the Monetary Board may designate, subject to such rules and regulations as the Board may prescribe."

Section 58. Section one hundred twenty-one of the same Act is hereby amended to read as follows:

"Sec. 121. Remuneration for services. The Central Bank shall not charge for services which it renders to the Government and to its political subdivisions and instrumentalities any rates, commissions or fees.

"The Bank may pay interest on deposits of the Government or of its political subdivisions and instrumentalities, as well as on deposits maintained by banks as part of their reserve requirements."

Section 59. Section one hundred thirty-two of the same Act is hereby amended to read as follows:

"Sec. 132. Applicability of the Civil Service Law. Appointment in the Central Bank, 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, however, That promotions, transfers, assignments, or reassignments by the Monetary Board are deemed made in the interest of the service and not disciplinary, any provision of existing law to the contrary notwithstanding.

"Officers and employees of the Central Bank, 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.

"No officer or employee of the Central Bank subject to the Civil Service Law and Regulations shall be removed or suspended except for cause as provided by law."

Section 60. This Decree shall take effect immediately.

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