

[**PRESIDENTIAL DECREE No. 1246, November 21, 1977**]

FURTHER AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT NUMBERED SIXTY FOUR HUNDRED AND TWENTY-SIX, AS AMENDED BY PRESIDENTIAL DECREE NUMBERED ONE THOUSAND THIRTY-FIVE.

WHEREAS, under Republic Act No. 6426, as amended by Presidential Decree No. 1035, certain Philippine banking institutions and branches of foreign banks are authorized to accept deposits in foreign currency;

WHEREAS, under the provisions of Presidential Decree No. 1034 authorizing the establishment of an offshore banking system in the Philippines, offshore banking units are also authorized to receive foreign currency deposits in certain cases;

WHEREAS, in order to assure the development and speedy growth of the Foreign Currency Deposit System and the Offshore Banking System in the Philippines, certain incentives were provided for under the two Systems such as confidentiality of deposits subject to certain exceptions and tax exemptions on the interest income of depositors who are nonresidents and are not engaged in trade or business in the Philippines;

WHEREAS, making absolute the protective cloak of confidentiality over such foreign currency deposits, exempting such deposits from tax, and guaranteeing the vested rights of depositors would better encourage the inflow of foreign currency deposits into the banking institutions authorized to accept such deposits in the Philippines thereby placing such institutions more in a position to properly channel the same to loans and investments in the Philippines, thus directly contributing to the economic development of the country;

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

SECTION 1. Section 6 of Republic Act No. 6426, as amended, is hereby amended to read as follows:

"SEC. 6. *Tax Exemption.* —All foreign currency deposits made under this Act, as amended by Presidential Decree No. 1035, as well as foreign currency deposits authorized under Presidential Decree No. 1034, including interest and all other income or earnings of such deposits, are hereby exempted from any and all taxes whatsoever irrespective of whether or not these deposits are made by residents or nonresidents so long as the deposits are eligible or allowed under aforementioned laws and, in the case of nonresidents, irrespective of whether or not they are engaged in trade or business in the Philippines."

SEC. 2. Section 8 of Republic Act No. 6426, as amended, is hereby amended to read as follows:

"SEC. 8. *Secrecy of Foreign Currency Deposits* — All foreign currency deposits authorized under this Act, as amended by Presidential Decree No. 1035, as well as foreign currency deposits authorized under Presidential Decree No. 1034, are hereby declared as and considered of an absolutely confidential nature and, except upon