

[ **REPUBLIC ACT NO. 265, June 15, 1948** ]

**AN ACT ESTABLISHING THE CENTRAL BANK OF THE PHILIPPINES, DEFINING ITS POWERS IN THE ADMINISTRATION OF THE MONETARY AND BANKING SYSTEM, AMENDING THE PERTINENT PROVISIONS OF THE ADMINISTRATIVE CODE WITH RESPECT TO THE CURRENCY AND THE BUREAU OF BANKING, AND FOR OTHER PURPOSES.**

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

**CHAPTER I.—Establishment and Organization the Central Bank of the Philippines**

**ARTICLE I.—Creation, Responsibilities and Corporate Powers of the Central Bank**

SECTION 1. *Creation of the Central Bank.*—There is hereby created a body corporate to be known as the Central Bank of the Philippines, which shall be governed by the provisions of this Act.

The capital of the Central Bank shall be ten million (P10,000,000) pesos, which are hereby appropriated from the assets of the Exchange Standard Fund, as provided in section 134 of this Act.

SEC. 2. *Responsibilities and objectives.*—It shall be the responsibility of the Central Bank of the Philippines to administer the monetary and banking 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) To maintain monetary stability in the Philippines;
- (b) To preserve the international value of the peso and the convertibility of the peso into other freely convertible currencies; and
- (c) To promote a rising level of production, employment and real income in the Philippines.

SEC. 3. *Place of business.*—The Central Bank shall have its principal place of business in the City of Manila, but may have such branches, agencies and correspondents in other places as are necessary for the proper conduct of its business.

SEC. 4. *Corporate powers.*—The Central Bank is hereby authorized to adopt, alter, and use a corporate seal which shall be judicially noticed; to make contracts; to lease or own real and personal property, and to sell or otherwise dispose of the same; to sue and be sued; and otherwise to do and perform any and all thing that

may be necessary or proper to carry out the purposes of this Act.

The Central Bank may acquire and hold such assets and incur such liabilities as result directly from operations authorized by the provisions of this Act, or as are essential to the proper conduct of such operations.

## **ARTICLE II.—*The Monetary Board***

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 Secretary of Finance, who shall preside at the meeting's of the Monetary Board. Whenever the Secretary of Finance is unable to attend a meeting of the Board, the Undersecretary of Finance shall act as his alternate, but shall not preside.

(b) The Governor of the Central Bank, who shall preside at the meetings of the Board in the absence of the Secretary of Finance. The Governor shall be 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 ranking deputy-governor shall act in his stead.

(c) The President of the Philippine National Bank, whose alternate shall be the senior vice-president of said bank.

(d) The Chairman of the Board of Governors of the Rehabilitation Finance Corporation, whose alternate shall be the ranking governor of said corporation.

(e) Three other members, 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 give due regard to affording fair representation of the financial, agricultural, industrial and commercial interests, in the composition of the said Board.

SEC. 6. *Vacancies.*—Any vacancy in the Monetary Board created by the death, resignation, or removal of an appointive member shall be filled by the appointment of a new member to complete the unexpired period of the term of the member concerned.

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 the economics of 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.

SEC. 8. *Disqualifications.*—With the exception of the ex-officio members and their

respective alternates, 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 academic positions; and
- (b) Directors, officers or employees of other banking institutions.

SEC. 9. *Removal.*—The President may remove any member of the Monetary Board for any of the following reasons:

- (a) If the member is disqualified under the provisions of section 8 of this Act; or
- (b) If the member is guilty of acts or operations which are of a fraudulent or illegal character or which are manifestly opposed to the aims and interests of the Central Bank; or
- (c) If the member no longer possesses the qualifications specified in section 7.

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, in his capacity as presiding officer of the Board, 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.

SEC. 11. *Attendance of the ranking deputy-governor and the chief of the Department of Economic Research.*—The ranking deputy-governor of the Central Bank and the chief of the Department of Economic Research shall attend the meetings of the Monetary Board with the right to be heard but not to vote.

SEC. 12. *Remuneration of members for attending meetings of the Board.*— The members of the Monetary Board their respective substitutes, except the Governor and the ranking deputy-governor, shall receive a per diem for every Board meeting attended. The amount of said per diem shall be set by the President but may not exceed fifty (P50) Pesos, nor the sum of five hundred pesos (P500) for any single month.

SEC. 13. *Withdrawal of persons having a personal interest.*—Whenever any person 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 person may not participate in the discussion or resolution of the matter and must retire from the meeting during the deliberations thereon. The minutes of the meeting shall note the withdrawal of the member concerned.

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 such 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 remove all officers and employees of the Central Bank, with the exception of the Governor; and

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

SEC. 15. *Responsibility.*— Any member of the Monetary Board or officer or employee of the Central Bank who wilfully 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 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.

### **ARTICLE III.— *The Governor and Deputy-Governors of the Central Bank***

SEC. 16. *Powers and duties of the Governor.*—The Governor shall be the chief executive of the Central Bank. His powers and duties shall be:

(a) To prepare the agenda for the meetings of the Monetary Board and to submit for the consideration of the Board the policies and measures which he believes to be necessary to carry out the purposes and provisions of this Act;

(b) To execute and administer the policies and measures approved by the Monetary Board;

(c) To direct and supervise the operations and internal administration of the Central Bank. The Governor may delegate certain of his administrative, responsibilities to other officers of the Bank, subject to the rules and regulations of the Monetary Board; and

(d) To exercise such other powers as may be vested in him by the Monetary Board.

SEC. 17. *Representation of the Monetary Board and the Central Bank.*—The Governor of the Central Bank shall be the principal representative of the Monetary Board and of the Bank, and in his capacity and in accordance with the instructions of the Monetary Board he shall be empowered:

(a) To represent the Monetary Board and the Central Bank in all dealings with other offices, agencies and instrumentalities of the Government and with all other persons or entities, public or private, whether domestic, foreign or international;

(b) To authorize, with his signature, contracts concluded by the Central Bank, notes and securities issued by the Bank, and the annual reports, balance sheets, profit and loss statements, correspondence and other documents of the Bank. The signature of the Governor may be in facsimile wherever appropriate;

(c) To represent the Central Bank, either personally or through counsel, in any legal proceedings or action; and

(d) To delegate his power to represent the Bank, as provided in subsections (a), (b) and (c) of this section, to other officers of the Bank upon his own responsibility.

SEC. 18. *Authority of the Governor in emergencies.*— In the event of war or other emergencies which require immediate action and in which there is insufficient time to call a meeting of the Monetary Board, the Governor of the Central Bank, with the concurrence of the Secretary of Finance or, in his absence, with the concurrence of any two other members of the Monetary Board, may decide any matter or take any action within the authority of the Board itself and may suspend any resolution or decision of the Board.

In such cases, the Governor shall call a meeting of the Monetary Board as soon as possible, in order to explain his action and the reasons for departing from normal procedures. The Board may then confirm, revoke or modify such action as the circumstances warrant.

SEC. 19. *Outside interests of the Governor.*—The Governor of the Central Bank shall be required to limit his professional activities to (those pertaining directly to his position with the Central Bank; accordingly, the Governor of the Bank may not accept any other employment, whether public or private, remunerated or ad honorem, with the exception of academic positions and of public commissions related to the formation, direction or implementation of monetary, banking or general economic policies which concern the national interest of the Philippines.

SEC. 20. *Remuneration of the Governor.*—The salary of Governor of the Central Bank shall be fixed by the Monetary Board with the approval of the President of the Philippines, but in no case shall it exceed thirty thousand pesos per annum.

SEC. 21. *Deputy-Governor.*—The Governor of the Central Bank, with the approval of the Monetary Board, shall appoint one deputy-governor who shall perform such duties as may be assigned to him by the Governor and the Board.

In the absence of the Governor of the Central Bank, the deputy-governor shall act as chief executive of the Central Bank and shall exercise the powers and perform the duties of the Governor.

#### **ARTICLE IV.—Departments of the Central Bank**

##### **A. DEPARTMENT OF ECONOMIC RESEARCH**

SEC. 22. *Responsibilities of the Department.*—The Central Bank shall establish and maintain a Department of Economic Research which shall prepare data and conduct economic research for the guidance of the Monetary Board in the formulation and implementation of its policies.

Toward this end, the Department of Economic Research shall prepare forecasts of the balance of payments of the Philippines, statistics on the monthly movement of the money supply and of prices, and other statistical series and economic studies useful for the formulation and analysis of monetary, banking and exchange policies. The scope of the other functions and duties of the department shall be defined and prescribed by the Monetary Board.

SEC. 23. *Authority to obtain information.*—The Department of Economic Research shall have the authority to request from any person or entity, including Government