

**[ EXECUTIVE ORDER NO. 759, January 07, 1982 ]**

**ESTABLISHING RULES AND REGULATIONS FOR A COPPER  
STABILIZATION FUND**

WHEREAS, copper prices are characterized historically by volatile fluctuations;

WHEREAS, in times of depressed copper prices, many local mining companies find themselves unable to meet even cash production costs and continue operations;

WHEREAS, it is in the national interest for the Government to provide assistance to local mining companies during periods of depressed copper prices because of the large amount of foreign exchange it earns and the substantial employment it generates;

WHEREAS, such assistance can be provided by a Copper Stabilization Fund which shall extend financing to local mining companies during periods of depressed copper prices;

WHEREAS, the Copper Stabilization Fund can be established with an initial contribution from the Government but should be maintained subsequently with contribution from the local mining companies themselves during periods of high copper prices;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, do hereby order the establishment of a Copper Stabilization Fund under the following Rules and Regulations:

**RULE I**

**THE FUND**

Section 1. There is hereby created a Copper Stabilization Fund (THE FUND) for the purpose of financing operating cash flow deficits of primary copper producers occasioned by depressed metal prices. The Fund shall be utilized only for the foregoing purpose and shall not be drawn upon to finance expansions, other capital investments, or replacement of existing debts.

Section 2. The Fund shall be established with an initial contribution from the National Government of TWO HUNDRED MILLION PESOS (P200 million). Primary copper producers shall also contribute to the Fund as provided in RULE V hereof.

Section 3. All transactions of the Fund shall be denominated in United States Dollars (US \$).

## RULE II

### BORROWING FROM THE FUND

Section 1. Primary copper producers shall be allowed to borrow from the Fund whenever they incur cash flow deficits due to a short fall between the cash cost applicable to a particular copper export shipment and the proceeds from said shipment. "Cash Cost" is hereby defined as total operating cost, plus freight, insurance, smelting and refining charges, plus interest on short-term borrowings to finance working capital requirements, less by-product credits. Depletion and depreciation shall not be considered in determining cash cost. Such cost shall be computed in the manner shown in Annex "A" hereof and shall be certified under oath by the independent external auditor of the copper producer. Cash cost shall be recomputed periodically to reflect current costs, as may be decided by the Fund Administrator.

Section 2. The amount which may be borrowed shall be equivalent to the difference between the cash cost applicable to and the proceeds from, each copper export shipment, based on the estimated copper content of such shipment, as computed in the manner shown in Annex "B" hereof.

Section 3. Borrowings from the Fund shall be charged an interest rate of twelve percent (12%) per annum.

## RULE III

### REPAYMENTS

Section 1. Repayments of borrowings from the Fund shall be effected automatically with each shipment whenever the price of copper export shipments rise above the cash cost and shall continue until such time as all borrowings shall have been fully repaid. The amount to be repaid shall be equivalent to the excess of the proceeds from a particular copper export shipment over the cash cost applicable to the same, based on the estimated copper content of such shipment, as computed in the manner shown in Annex "C" hereof.

Section 2. Amounts repaid shall first be applied to accrued interest charges before any reduction of the principal amount borrowed.

Section 3. Copper producers borrowing from the Fund shall undertake:

- a) To repay their obligations to the Fund as herein provided before servicing their obligations to any of its other creditors, both as to principal and interest (except interest on short term borrowings for working capital requirements);
- b) To refrain from declaring dividends or otherwise distributing any profits for as long as their respective borrowings from the Fund remain outstanding.

## RULE IV