

S. No. 541
H. No. 2475
Seventh Congress

REPUBLIC ACT NO. 6426

AN ACT INSTITUTING A FOREIGN CURRENCY DEPOSIT SYSTEM IN
THE PHILIPPINES, AND FOR OTHER PURPOSES.

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

SECTION 1. *Title.*—This Act shall be known as the “Foreign Currency
Deposit Act of the Philippines.”

SEC. 2. *Authority to deposit foreign currencies.*—Any person, natural or
juridical, may, in accordance with the provisions of this Act, deposit with such
Philippine banks in good standing, as may, upon application, be designated by
the Central Bank for the purpose, foreign currencies which are acceptable as
part of the international reserve, except those which are required by the Central
Bank to be surrendered in accordance with the provisions of Republic Act Num-
bered Two hundred sixty-five.¹

SEC. 3. *Authority of banks to accept foreign currency deposits.*—The banks
designated by the Central Bank under Section two hereof shall have the au-
thority:

- (1) To accept deposits and to accept foreign currencies in trust: *Provided,*
That numbered accounts for recording and servicing of said deposits
shall be allowed;
- (2) To issue certificates to evidence such deposits;
- (3) To discount said certificates;
- (4) To accept said deposits as collateral for loans subject to such rules and
regulations as may be promulgated by the Central Bank from time to
time; and
- (5) To pay interest in foreign currency on such deposits.

SEC. 4. *Foreign currency cover requirements.*—Except as the Monetary
Board, by a unanimous vote of all incumbent members, may otherwise prescribe
or allow, the depository banks shall maintain at all times a one hundred percent
foreign currency cover for their deposit liabilities, of which cover at least fifteen
percent shall be in the form of foreign currency deposit with the Central Bank,

¹ II CPS 861-903.

balance in the form of foreign currency deposits or of foreign currency securities, which loans or securities shall be of short term maturities readily marketable. Such foreign currency loans may include loans to domestic enterprises which are export-oriented or registered with the Board of Investment subject to the limitations to be prescribed by the Monetary Board on such loans. The foreign currency cover shall be in the same currency as that of the corresponding foreign currency deposit liability. The Central Bank may pay on the foreign currency deposit, and if requested shall exchange the foreign currency notes and coins into foreign currency instruments drawn on depository banks.

SEC. 5. *Withdrawability and transferability of deposits.*—There shall be no restriction on the withdrawal by the depositor of his deposit or on the transfer of the same abroad except those arising from the contract between the depositor and the bank.

SEC. 6. *Tax exemption of interests on deposits.*—The interests on deposits covered by this Act, belonging to non-residents not engaged in trade or business in the Philippines, shall be exempt from income tax.

SEC. 7. *Rules and Regulations.*—The Monetary Board of the Central Bank shall promulgate such rules and regulations as may be necessary to carry out the provisions of this Act which shall take effect after the publication of such rules and regulations in the *Official Gazette* and in a newspaper of national circulation for at least once a week for three consecutive weeks. In case the Central Bank promulgates new rules and regulations decreasing the rights of depositors, the existing regulations at the time the deposit was made shall govern.

SEC. 8. *Secrecy of deposits.*—The secrecy of deposits under this Act shall be governed in accordance with the provisions of Republic Act Numbered One hundred and four hundred five.²

SEC. 9. *Deposit insurance coverage.*—The deposits under this Act shall be insured under the provisions of Republic Act Numbered Three thousand and hundred ninety-one, as amended,³ as well as its implementing rules and regulations. *Provided,* That insurance payment shall be in the same currency in which the insured deposits are denominated.

SEC. 10. *Penal provisions.*—Any willful violation of this Act or any regulation promulgated by the Monetary Board pursuant hereto shall subject the offender upon conviction to an imprisonment of not less than one year nor more than five years or a fine of not less than five thousand pesos nor more than twenty-five thousand pesos, or both such fine and imprisonment at the discretion of the court.

² III CPS 789-790.
³ IV CPS 200-216.

SEC. 11.
declared to be
held unconsti
thereby.

SEC. 12.
tions, or parts
hereby repeale
to deposits ma

SEC. 13.

Approved,

SEC. 11. *Separability clause.*—The provisions of this Act are hereby declared to be separable, and in the event one or more of such provisions are held unconstitutional, the validity of other provisions shall not be affected thereby.

SEC. 12. *Repealing Clause.*—All Acts, executive orders, rules and regulations, or parts thereof, which are inconsistent with any provision of this Act are hereby repealed, amended or modified accordingly, without prejudice, however, to deposits made thereunder.

SEC. 13. *Effectivity.*—This Act shall take effect upon its approval.

Approved, April 4, 1972.