

[PRESIDENTIAL DECREE NO. 1685, March 17, 1980]

AMENDING PRESIDENTIAL DECREE NUMBERED THIRTEEN HUNDRED NINE AUTHORIZING THE CENTRAL BANK OF THE PHILIPPINES TO ENGAGE IN SPECIAL BORROWING AND LENDING OPERATIONS.

WHEREAS, the Central Bank should be clothed with the necessary authority to tap low-cost medium and long-term funds from international and regional financial institutions for relending to approved development projects;

WHEREAS, the availment of the funds obtained by the Central Bank under the Consolidated Foreign Borrowings Program should be made easier by having more conduit financial institutions through which said funds could be channeled and by liberalizing the constraints on borrowings by government-owned or controlled financial institutions;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby declare and order the amendment of Presidential Decree No. 1309, as follows:

SECTION 1. Presidential Decree Numbered Thirteen hundred nine is hereby amended by adding a new section to be known as Section 1-A to read as follows:

"SECTION 1-A. Foreign loans obtained by the Central Bank from international or regional financial organizations of which the Republic of the Philippines is a member may be guaranteed by the Republic of the Philippines if required by the charter, regulation or policy of the lender."

SEC. 2. Section 2 of the same Decree is hereby amended to read as follows:

"SEC. 2. Under special circumstances where the Monetary Board deems it in the national interest, and notwithstanding the provisions of any existing law to the contrary, the Central Bank may grant loans to the Government or to qualified banking and non-bank financial institutions from the proceeds of foreign loans obtained by it, subject to such terms and conditions as the Monetary Board may prescribe, for the following and analogous purposes:

SEC. 2. The same Act is hereby amended by adding a new section after Section 7, to read as follows:

"SEC. 7-a. Parties to an agreement pertaining to a loan or forbearance of money, goods or credits may stipulate that the rate of interest agreed upon may be increased in the event that the applicable maximum rate of interest is increased by law or by the Monetary Board: *Provided*, That such stipulation shall be valid only if there is also a stipulation in the agreement that the rate of interest agreed upon shall be reduced in the event that the applicable maximum rate of interest is reduced by law or by the Monetary Board: *Provided, further*, That the adjustment in the rate of interest agreed upon shall take effect on or after the effectivity of the increase or decrease in the maximum rate of interest.