

# [ PRESIDENTIAL DECREE NO. 550, September 11, 1974 ]

## CREATING THE PHILIPPINE FOREIGN LOAN GUARANTEE CORPORATION, DEFINING ITS POWERS AND DUTIES AND FOR OTHER PURPOSES.

**WHEREAS**, there is a need to supplement existing domestic financial resources with borrowings from abroad in order to meet the country's economic development requirements;

**WHEREAS**, such foreign obligations contracted by the private sector may need to be adequately guaranteed by government financial institutions;

**WHEREAS**, the Development Bank of the Philippines, the Philippine National Bank, and the National Investment and Development Corporation are the only government financial institutions presently offering guarantee coverage to such foreign obligations incurred by the private sector;

**WHEREAS**, there is a felt need to expand the Philippine Government's guarantee coverage of foreign loans for the private sector in order to ensure the continuous entry of these resources into the economy;

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

**SECTION 1.** Philippine Foreign Loan Guarantee Corporation. — (a) There is hereby created a body corporate to be known as the Philippine Foreign Loan Guarantee Corporation, hereinafter referred to as the Corporation, which shall have succession in its corporate name. The Corporation shall have its principal office in the Greater Manila Area.

- b. The Corporation shall be deemed to be a wholly owned Government corporation and shall accordingly be subject to provisions of existing laws, rules and regulations applicable to Government-owned corporations not otherwise inconsistent with the provisions of this Decree.

**SEC. 2.** *Primary Purpose.* — The primary purpose of the Corporation shall be to guarantee foreign loans, in whole or in part, granted to any domestic entity, enterprise or corporation, majority of the capital of which is owned by citizens of the Philippines.

**SEC. 3.** *Functions.* — The Corporation shall have the following functions:

- a. To promote and facilitate the entry of foreign loans into the country for development purposes having special regard to the needs of export-oriented industries, industries registered with the Board of Investments, public utilities, and industries the promotion of which is encouraged by government policy;
- b. To meet requests from domestic entities, enterprises and corporations to assist them in the coordination of their development and expansion plans with a view to achieving better utilization of their resources; and
- c. To provide technical assistance to the preparation, financing and execution of development or expansion programs, including the formulation of specific

project proposals.

**SEC. 4. *Corporate Powers.*** — The Corporation is hereby authorized 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 things that may be necessary or proper to carry out the purpose of this Decree, or as are essential to the proper conduct of such operations.

**SEC. 5. *Borrowing and other Miscellaneous Powers.*** — In addition to the powers specified elsewhere in this Decree, the Corporation shall have the power:

- a. To borrow funds in foreign countries or in the Philippines with the approval of the President of the Philippines and subject to pertinent provisions of Republic Act No. 265, as amended, and Central Bank rules and regulations;
- b. To buy and sell securities the Corporation has issued or guaranteed;
- c. To underwrite, or participate in the underwriting of, securities issued by any domestic entity or enterprise for purposes consistent with the purpose of the Corporation;
- d. To invest funds not needed in its operations;
- e. To hold assets in foreign countries subject to Central Bank rules and regulations; and
- f. To exercise such other powers and establish such rules and regulations as may be necessary and appropriate in furtherance of its purpose and functions;

**SEC. 6. *Operating Principles.*** — The operations of the Corporation shall be conducted in accordance with the following principles:

- a. The operations of the Corporation shall principally facilitate foreign loan financing of specific projects of domestic entities or enterprises. They may, however, include guarantees and counter guarantees for sign loans made by banks or other financial institutions or other suitable entities in order that the latter may finance specific development projects either by outright loan or guarantees.
- b. In considering an application for a guarantee, the Corporation shall pay due regard to the ability of the borrower to obtain guarantee facilities elsewhere on terms and conditions that the Corporation considers reasonable for the recipient, taking into account all pertinent factors;
- c. In guaranteeing a loan, the Corporation shall pay due regard to the prospect that the borrower will be in a position to meet its obligations under the loan contract;
- d. In guaranteeing a loan, or in underwriting the sale of securities, the corporation shall receive suitable compensation for its risk;
- e. The Corporation shall take the necessary measures to ensure that the proceeds of any loan guaranteed by the Corporation are used only for the purposes for which the loan was granted and with due attention to considerations of economy and efficiency;
- f. The Corporation shall not guarantee a single borrower in an amount exceeding the Corporation's subscribed capital stock nor shall the aggregate outstanding guarantee obligations of the Corporation exceed fifteen (15) times its subscribed capital stock plus surplus;
- g. When payment is made by the Corporation pursuant to a guarantee it has made, the Corporation shall be subrogated to any right, title, claim or cause of action belonging to the creditor; and

- h. The Corporation shall be guided by sound banking principles and sound financial management in its operations.

**SEC. 7. *Capital Stock.*** — The initial authorized capital stock of the Corporation shall be One billion pesos (P1,000, 000,000) to be fully subscribed by the Government of the Republic of the Philippines. For this purpose, the sum of One billion pesos (P1,000,000,000) is hereby appropriated from any sums not otherwise appropriated in the National Treasury. The Board may increase the Authorized capital stock of the Corporation, subject to the approval of the President of the Philippines.

**SEC. 8. *Loans from Central Bank.*** — The Central Bank of the Philippines may grant the Corporation loans and advances which it may need for its operations secured by any assets which are defined as acceptable security by a concurrent vote of at least five (5) members of the Monetary Board.

**SEC. 9. *Guarantee of National Government.*** — The payment of obligations incurred by the Corporation under the provisions of this Decree is fully guaranteed by the Government of the Republic of the Philippines.

**SEC. 10. *Board of Directors; Composition.*** — The powers and functions of the Corporation shall be exercised by a Board of Directors, hereinafter referred to as the Board, which shall be composed of five (5) members, as follows:

- a. The Secretary of Finance, who shall be the Chairman of the Board. Whenever the Secretary of Finance is unable to attend a meeting of the Board, he shall designate an undersecretary to attend as his alternate, who shall not act as Chairman.
- b. The President of the Corporation, who shall be the Vice-Chairman of the Board, shall assist the Chairman and act in his stead in case of absence or incapacity.
- c. The Secretary of Industry. Whenever the Secretary of Industry is unable to attend a meeting of the Board, he shall designate an undersecretary to attend as his alternate.
- d. The Director General of the National Economic and Development Authority. Whenever the Director General is unable to attend a meeting of the Board, he shall designate a deputy director general of the Authority to attend as his alternate.
- e. The Solicitor General. Whenever the Solicitor General is unable to attend a meeting of the Board, he shall designate an assistant solicitor general to attend as his alternate.

**SEC. 11. *Powers of the Board.*** — The Board shall have the authority:

- a. To formulate policies to carry out effectively the provisions of this Decree;
- b. To prepare and issue rules and regulations as it considers necessary for the effective discharge of the responsibilities and exercise of the powers assigned to the Corporation under this Decree;
- c. To direct the management, operations and administration of the Corporation;
- d. On the recommendation of the President of the Corporation, appoint, fix the remunerations and other emoluments, and remove the personnel of the Corporation: *Provided, however,* That positions considered by the Board to be policy-determining, primarily confidential or highly technical in nature shall not be subject to the Civil Service Law; and
- e. To authorize such expenditures by the Corporation as are in the interest of the effective administration and operations of the Corporation.