

EXECUTIVE ORDER NO. 32

DIRECTING THE ESTABLISHMENT OF A PROGRAM FOR THE CONVERSION OF  
PHILIPPINE EXTERNAL DEBT INTO EQUITY INVESTMENTS

WHEREAS, it has come to the attention of the Government that Philippine external debt obligations owed to commercial banks or financial institutions are being traded in the secondary market;

WHEREAS, long-term equity investments in Philippine enterprises are essential to economic developments;

WHEREAS, the magnitude of the external debt of the Philippines is imposing a heavy burden on the country's resources;

NOW, THEREFORE, I, CORAZON C. AQUINO, President of the Philippines, do hereby order:

SECTION 1. Declaration of Policy. It is hereby declared to be the policy of the Government (a) to stimulate long-term equity investments in Philippine enterprises by both foreign investors and Filipinos; (b) to encourage the repatriation to the Philippines of foreign currency holdings of Philippine residents held abroad for the purpose of capitalizing equity investments in the Philippines; (c) to provide additional incentives for investments in designated sectors of the Philippine economy that require prompt revitalization; and (d) to reduce the external debt burden of the Philippines.

SECTION 2. The Central Bank of the Philippines shall establish a program to convert Philippine external debt obligations owed to commercial banks or financial institutions into equity investments in Philippine enterprises. Investors, whether Filipino or foreign, who hold or purchase such obligations and have such obligations redeemed or paid in pesos by the borrower or obligor in pesos may invest the peso proceeds in the equity of Philippine enterprises, under such terms and conditions as the Central Bank of the Philippines may prescribe, consistent with the objectives stated in Section 1 of this Executive Order.

SECTION 3. Incentives, such as more liberal terms of repatriation of investments and remittance of earnings from investments, may be provided to investments in preferred sectors or areas of the Philippine economy made under the program established pursuant to this Executive Order, as may be determined by the Monetary Board of the Central Bank, taking into consideration sectors of the economy that require prompt revitalization and foreign exchange earning industries.

SECTION 4. The Central Bank of the Philippines may provide limitations to the repatriation of investments and remittance of earnings from investments made under the program established pursuant to this Executive Order, taking into consideration the monetary, credit and exchange conditions and the terms of the general restructuring of Philippine external debt obligations.

SECTION 5. The Central Bank of the Philippines may impose and collect a reasonable application fee for each application for the conversion of external debt into equity investment. The Central Bank may also impose and collect for the account of the Government an additional fee on a conversion transaction, taking into consideration, among other things, the prevailing rates at which Philippine external debt obligations are being traded in the secondary market.

SECTION 6. The Central Bank of the Philippines may under such terms and conditions as the Monetary Board of the Central Bank may prescribe and taking into consideration, among other things, the prevailing rates at which Philippine external debt obligations are being traded in the secondary market, the availability of credit and the level of money supply, extend peso credits through banking institutions to a government-owned or controlled corporation to enable such corporation to reduce or pay its external debt obligations in pesos in connection with conversion transactions under the program established pursuant to this Executive Order.

SECTION 7. The Monetary Board, in coordination with the Minister of Finance, shall promulgate the rules and regulations to implement the provisions of this Executive Order subject to the approval of the President.

SECTION 8. Any provision of law, decree, executive order or other issuances inconsistent with this Executive Order are hereby repealed or modified accordingly.

SECTION 9. This Executive Order shall take effect immediately.

DONE in the City of Manila, this 24th day of July, in the year of Our Lord, Nineteen Hundred and Eighty-Six.

(SGD.) CORAZON C. AQUINO  
President of the Philippines

By the President:

(SGD.) JOKER P. ARROYO  
Executive Secretary