

# [ PRESIDENTIAL DECREE NO. 1478, June 11, 1978 ]

## AMENDING PRESIDENTIAL DECREE NO. 694 PROVIDING FOR THE 1975 REVISED CHARTER OF THE PHILIPPINE NATIONAL BANK.

**WHEREAS**, the Charter of the Philippine National Bank was revised by Presidential Decree No. 694 to enable it to effectively carry out its assigned role of providing the necessary financing for economic development of the country under the program of the New Society;

**WHEREAS**, said Charter needs further amendment to enable the Bank to strengthen its above-mentioned role in the economic development of the country;

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

**SECTION 1.** Section 3, Paragraphs (a) and (e), of Presidential Decree No. 694 is hereby amended to read as follows:

**"SECTION 3. Corporate Powers.**—The Philippine National Bank, upon its organization, shall be a body corporate and shall have power:

"a. To engage in the business of commercial banking by accepting drafts and issuing letters of credit, discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debts, receiving deposits, buying and selling foreign exchange and gold or silver bullion, by acting as financial agent, by financing or personality leasing, and by lending money against personal security or against securities consisting of personal property or first mortgages on improved real estate and the insured improvements thereon;

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"e. To issue either in the Philippines or externally, for purposes of augmenting its capital and/or fund generation requirements, all types of bonds, promissory notes, debentures, certificates of indebtedness, or other debt instruments whether senior, unsecured or subordinated obligations, including but not limited to capital notes under such terms and conditions as may be determined by the Board of Directors, which may be:

"1. Secured by credits against real estate or other assets of the Bank but not in excess of 90% thereof, or without such security and purely on an unsecured or subordinated basis;

"2. Long-term, medium-term or short-term;

"3. With fixed interest rate or floating interest rate;

"4. Denominated either in the lawful legal tender of the Philippines or in such foreign currencies which are eligible for the foreign exchange reserves of the Central Bank of the Philippines; and

"5. With such other features and requirements which in its discretion are deemed necessary.

"These bonds, debentures, promissory notes, certificates of indebtedness, or other debt instrument shall be unconditionally guaranteed as to principal and interest by the Republic of the Philippines: *Provided, however,* That the Bank is also authorized to issue these instruments without the guaranty of the Republic of the Philippines;

"These bonds, debentures, promissory notes, certificates of indebtedness, or other instruments, shall be exempt, both as to principal and interest, from any and all taxes imposed by the Government or any of its subdivisions."

**SEC. 2.** Section 4 of Presidential Decree No. 694 is hereby amended to read as follows:

**"SECTION 4.** *Authorized Capital Stock—Par Value—Government Subscription and Payment.—Sale of Shares.*—The authorized capital stock of the Bank shall be further increased to Five Billion Pesos to be divided into fifty million shares at par value of One Hundred Pesos each. The Government shall increase its paid-in subscription of One Billion Pesos to Two Billion Pesos. Payment for the additional capital contribution by the Government shall be made as follows:

"a. P500 Million in the form of cash to be authorized under the corresponding appropriation upon recommendation of the Secretary of Finance and payable within three (3) years.

"b. The balance in cash or in exchange for the bonds or other government securities which the Secretary of Finance is hereby authorized to issue under such terms and conditions as he may prescribe.

"The bank's authorized capital stock shall be divided into the following classes of shares:

"a. Preferred "A" shares which shall consist of one million shares available for sale to or subscription by the general public. These shares shall have the following features:

"1. preferred as to dividends at ten per cent (10%);

"2. cumulative;

"3. participating;

"4. non-voting;

"5. dividends thereon shall be exempt from income tax;

"6. redeemable at the option of the Bank at the prevailing book of value but in no case less than par after five (5) years from issuance thereof; and

"7. convertible to Common shares at the option of the holder in case the Bank fails to pay dividends thereon for two consecutive years; *Provided, however,* That if the holder thereof signifies his intention to convert the Preferred "A" shares to Common shares, the Bank may, at its option, redeem said shares even before the lapse of five (5) years counted from date of their issuance.

"b. Preferred "B" shares which shall consist of two million shares available for sale to or subscription by citizens of the Philippines only. These shares shall have the following features:

"1. preferred as to dividends;

"2. cumulative;

"3. participating;

"4. non-voting;

"5. dividends thereon shall be exempt from income tax; and

"6. convertible to Common at the option of the holder in case the Bank fails to pay dividends thereon for two consecutive years.

"c. Common "A" shares which shall consist of five hundred thousand (500,000) shares exclusively available for subscription at par by officers and employees of the Bank. These shares shall have the following features:

"1. preferred as to dividends;

"2. cumulative;

"3. participating;

"4. voting;

"5. dividends thereon shall be exempt from income tax; and

"6. non-transferable except to qualified holders as herein provided.

"Transfer of any kind, including that by hereditary succession, to any person other than officers or employees of the Bank