

[PRESIDENTIAL DECREE NO. 264, August 02, 1973]

AN ACT CREATING A PHILIPPINE AMANAH BANK.

WHEREAS, it is a declared policy of the Government to promote and accelerate the socio-economic growth and development of Mindanao, particularly, the economically depressed provinces of Cotabato, Lanao del Sur, Lanao del Norte, Zamboanga del Sur, Zamboanga del Norte and Sulu;

WHEREAS, surveys, and studies indicate a pressing need to expand the banking and credit system in the region to make it more responsive to the investments and credit requirements of this development program; and

WHEREAS, it is further recognized that, ultimately sustained economic development will rely heavily on the capabilities of the people in the region to generate investments through institutional savings;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, pursuant to Proclamation No. 1081, dated 21 September 1972, as amended by Proclamation No. 1104, dated 17 January 1973 and General Order No. 1, dated 22 September 1972, as amended, and in order to effect the desired changes and reforms in the social, economic and political structure of our society, do hereby order and decree the creation of a Philippine Amanah Bank.

ESTABLISHMENT AND FUNCTION

SECTION 1. *Purposes, Name and Domicile.* — To provide credit, commercial, development and savings banking facilities at reasonable terms to the people of the primarily Muslim provinces of Mindanao, principally, the provinces of Cotabato, South Cotabato, Lanao del Sur, Lanao del Norte, Sulu, Basilan, Zamboanga del Norte, Zamboanga del Sur and Palawan for the establishment, acquisition, development and expansion of agricultural, commercial and industrial enterprises, there is hereby created a body corporate to be known as the Philippine Amanah Bank, which shall have its principal place of business at Marawi City and shall exist for fifty years.

SEC. 2. *Corporate Power.* — The Philippine Amanah Bank shall have the power:

- a) to prescribe its by-laws;
- b) to adopt, alter, and use a corporate seal;
- c) to make contracts, to sue and be sued;
- d) to accept savings and time deposits, and open current or checking accounts;
- e) to borrow money; to own real or personal property and to sell, mortgage or otherwise dispose of the same;
- f) to employ such officers and personnel, preferably from the Muslim population in Mindanao and Palawan as may be necessary to carry on its business;
- g) to establish such branches and agencies in the dominantly Muslim provinces in Mindanao and Palawan and such correspondent Offices in

other areas as may be necessary for the proper conduct of its business;

- h) to grant loans for the establishment, acquisition, development and expansion of agricultural, commercial and/or industrial enterprise, including public utilities, mining livestock and poultry and fishing, whether offshore or inland;
- i) to invest equities of allied undertakings as pertinent laws and the Central Bank shall authorize;
- j) to carry on trust business in accordance with the provisions of law governing trust corporations;
- k) to issue bonds, debentures, securities, collaterals and/or the renewal or refinancing of the same with the approval of the Central Bank, to be used by the Bank in its lending operations for industrial and agricultural projects that will promote the economic development of the region;
- l) to exercise powers granted under this Charter and such incidental powers as may be necessary to carry on its business, and to exercise further the general powers mentioned in the Corporation Law and the General Banking Act, as amended, far as they are not inconsistent or incompatible with the provisions of this Charter.

SEC. 3. *Authorized Capital Stock — Par Value.* — The authorized capital stock of the Amanah Bank shall be one hundred million pesos divided into one million par value shares of one hundred pesos each. The shares shall be divided into four classes, denominated as Series "A," Series "B," Series "C," and Series "D."

a) Series "A" shall comprise thirty million pesos equivalent to three hundred thousand common shares to be subscribed by the Government of the Republic of the Philippines;

b) Series "B" shall comprise twenty million pesos equivalent to two hundred thousand preferred shares which shall be subscribed by the Government of the Republic of the Philippines, its agencies or instrumentalities, such shares to be entitled to cumulative dividends of three percent (3%) per annum and with preference as against common stockholders in the distribution of assets in the event of liquidation;

c) Series "C" shall comprise thirty million pesos equivalent to three hundred thousand common shares to be subscribed solely by the citizens of the Philippines and domestic corporations and entities, seventy percent (70%) of the equity of which is owned by Citizens of the Philippines. Preference in the subscription of this class of shares shall be given to residents of the provinces and cities served or to be served by the Bank;

d) Series "D" shall comprise twenty million pesos equivalent to two hundred thousand common shares which shall be available for subscription of foreign nationals, their corporations and/or associations.

SEC. 4. *Loans and investments authorized.* — Said Amanah Bank is hereby authorized:

a. to purchase or discount promissory notes, drafts and bills of exchange issued or drawn for agricultural, commercial or industrial purposes, with securities required by the Bank, or the proceeds of which have been used or are to be used for such purpose;

- b. to grant loans on or to discount notes secured by harvested and stored crops: *Provided*, That no loan on the security of such harvested and stored crops shall exceed eighty percent (80%) of the market value thereof on the date of the loan: *Provided, further*, That the crops so mortgaged shall be insured by the mortgagor for the benefit of the Amanah Bank for their entire market value: *And provided, finally*, That if, owing to circumstance whatever, the value of the crops given as security shall diminish, the mortgagor shall obligate himself to furnish further security or refund such part of the loan as the Bank may deem necessary. Such loans shall be granted for a period of not to exceed one year, subject to extension in the discretion of the Bank;
- c. to grant loans to agriculturists, on installments, for standing crops considered natural products of the Philippines such as rice, copra, sugar, tobacco, corn, etc., not exceeding seventy percent (70%) of the estimated value of such crops; *Provided, however*, That before granting such loans, the Amanah Bank may impose as a condition that cultivation be under supervision and/or require additional security in the nature of mortgages on real estate duly registered in the name of the debtor, or chattel mortgage, including those upon livestock, machinery and agricultural implements, or personal bonds with sufficient surety or sureties, satisfactory to the Bank;
- d. to grant loans to the several provincial, city and municipal governments and to any other branch or subdivision of the Republic of the Philippines on promissory notes guaranteed by the National Government, as shown by the endorsement thereon of the Secretary of Finance, approved by the President of the Philippines or to purchase bonds lawfully issued by such provincial, city and municipal governments and any other branches or subdivision of the Government of the Philippines;
- e. to grant loans to cooperative associations against the security of acceptable assets of the cooperative association and/or the individual members thereof;
- f. to grant loans to small farmers, merchants and traders against the security of lands without Torrens title, where the owner of private property can show five years or more of peaceful, continuous and uninterrupted possession in the concept of the owner; or of portions of friar land estates or other lands administered by the Bureau of Lands that are covered by sales contracts and the purchasers have paid at least five years installment thereon, without the necessity of prior approval and consent of the Land Authority or corresponding governmental agency; or of homesteads of free patent lands pending the issuance of titles but already approved, the provisions of any law or regulations to the contrary notwithstanding: *Provided*, That when the corresponding titles are issued the same shall be delivered to the register of deeds of the province where such lands are situated for the annotation of the encumbrance: *Provided, further*, That in the case of lands pending homestead or free patent titles, copies of notices for the presentation of the final proof shall also be furnished the Bank and, if the borrower applicants fail to present the final proof within thirty days from the date of notice, the Bank may do so for them at their expense: *Provided, finally*, That the applicant for homestead or free patent has already made improvements on the land and the loan applied for is to be used for further development of the same or for other productive economic activities;
- g. to grant loans to employees in the government service or in private industry to acquire stocks in corporations or industries in an amount not exceeding one month's salary for every year of service, against the security of the

- undertaking of the employee with notice upon the employer for the repayment thereof by monthly payroll deductions within a period of five years;
- h. to augment and supplement the capital of the Amanah Bank, the Development Bank of the Philippines, the Philippine National Bank and other government financial institutions shall be permitted to extend loans to the Bank from time to time repayable in an amortization period and at interest rates that may be agreed upon against security which may be offered by the Amanah Bank or any stockholders of the Bank that:
- 1) the said government financial institutions are convinced that the resources of the Amanah Bank are inadequate to meet the legitimate credit requirements of the locality wherein the Bank is established;
 - 2) there is dearth of private capital in the said locality; and
 - 3) it is not possible for the private stockholders to increase the paid-up capital thereof;
- i. the Bank with the approval of the Monetary Board may rediscount paper with the Central Bank, the Philippine National Bank or other banks and their branches or agencies. The Central Bank shall specify the nature of papers deemed acceptable for rediscounting and the rate to be charged by any such institutions;
- j. generally, to make advances or discount paper for agricultural, manufacturing, industrial, or commercial purposes: *Provided*, That seventy-five percent (75%) of the loanable funds of the Bank shall be invested in medium and long-term loans for economic development purposes and in no case shall the Bank invest more than twenty five percent (25%) of its loanable funds in short term loans for miscellaneous purposes: *Provided, however*, That twenty five (25%) percent of the loanable funds for short term loans may be loaned on securities other than real estate mortgage.

SEC. 5. Lending Limits. — Said Amanah Bank shall observe the following limits in its lending operations:

- a. the total liabilities of any person, company, corporation or firm, excluding loans or credits prescribed by law or by the Monetary Board as non-risk assets, shall at no time exceed fifteen percent (15%) of the unimpaired capital and surplus of the Bank.

The total liabilities of any borrower may amount to a further fifteen percent (15%) of the unimpaired capital and surplus of the Bank *provided* that the additional liabilities are adequately secured by shipping documents, warehouse receipts or other similar documents transferring or securing title covering readily marketable, non-perishable staples which staples must be fully covered by insurance, and must have a market value equal to at least one hundred and twenty-five percent (125%) of" such additional liabilities.

The term liabilities as used herein shall mean the direct liability of the maker or the acceptor of paper discounted with or sold to the Bank and the liability of the indorser, drawer or guarantor who obtains a loan from or discounts paper with or sells papers under the guaranty to the Bank and shall include in the case of the liabilities of a co-partnership or association the liabilities of the