

[REPUBLIC ACT NO. 3518, June 18, 1963]

**AN ACT CREATING THE PHILIPPINE VETERANS' BANK, AND FOR
OTHER PURPOSES**

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

Section 1. *Name—Domicile and place of business.*— There is hereby created a bank to be known as the Philippine Veterans Bank, which shall be commonly called the Veterans Bank. Its principal domicile and place of business shall be in the City of Manila but branches or agencies may be established in the provinces and cities as the Board of Directors may decide.

CORPORATE POWERS

SEC. 2. *Corporate powers and duties.*—The said Veterans Bank shall be a body corporate and shall have the power:

- a. To prescribe its Toy-laws;
- b. To adopt and use a seal;
- c. To sue and be sued;
- d. To carry on a trust business in accordance with the provisions of laws governing trust corporations;
- e. To grant long-term loans and advances preferably to veterans, their widows, orphans or compulsory heirs against security of real estate and/or other acceptable sets including backpay certificates issued by the National Treasurer pursuant to Republic Act No. 304 and Republic Act No. 897 at the discretion of the Board of Directors for the establishment, rehabilitation or expansion of agriculture, industrial, and other productive enterprises: *Provided*, That the aggregate of such loans shall not exceed the sum total of the paid-up capital and unimpaired surplus, long-term indebtedness and thirty per cent of the total deposits: *Provided*, further That notarial services in connection with loan applications of not more than one thousand pesos (P1,000.00) shall be furnished by the Bank free of charge and in case where the Veterans Bank has no lawyers, notarial services shall be performed by the justice of the peace and other government notaries public, free of charge;
- f. To invest in stocks other than shares of stock in mining companies, government guaranteed bonds, and secured collaterals having maturities of not more than thirty (30) years: *Provided*, That the priorities in the grant of loans for secured collaterals having maturities of not more than thirty years shall be in accordance with the rules and regulations established by the Central Bank;
- g. With the approval of the President of the Philippines, to issue bonds and other certificates of indebtedness against its credits secured by real estate but not in excess of ninety per cent of the value thereof. The proceeds from the sale of

such bonds and/or certificates of indebtedness are to be used in its lending operations for the industrial and agricultural development of the country.

The Board of Directors shall determine the interest rates, maturities, and other requirements of said obligations;

- h. To contract any obligation, or enter into any agreement essential to the proper management of its corporate powers and to carry out its aims and purposes;
- i. To appoint and dismiss its officers and employees;
- j. To grant loans to cooperative associations to facilitate production, the marketing of crops, and the acquisition of essential commodities: *Provided*, That preference should be given to such cooperative associations which are owned or controlled by the veterans, their widows, orphans or compulsory heirs;
- k. To grant loans to government employees and employees of government-owned or controlled corporations, and to employees of private corporations or entities for the purpose of enabling said employee to buy shares of stocks in corporations or industries engaged in the development and/or expansion of agriculture and industries: *provided*, That the yearly amortization of such loans shall not exceed ten per cent (10%) of the total annual salaries and wages of the employees: *Provided, further*, That such loan shall be payable in full within a period of not exceeding five years and that preference be given to employees who are veterans;
- l. To exercise the powers granted in this Act and such incidental powers as may be necessary to carry on and engage in the business of general banking;
- m. To exercise the general powers mentioned in the Corporation Law and the General Banking Act, insofar as they are not inconsistent or incompatible with the provisions of this Act.

SEC. 3. *Authorized capital stock—Par value.—*

- a. The capital stock of the Veterans Bank shall be one hundred million pesos (P100,000,000.00) divided into five hundred ten thousand (510,000) common shares and four hundred ninety thousand (490,000) preferred shares with a par value of one hundred (P100.00) pesos each.
- b. At least fifty-one per cent (51%) of the capital stock of the Veterans Bank shall be divided into common shares which shall be fully subscribed by the government of the Republic of the Philippines for and in behalf of the veterans, their widows, orphans or compulsory heirs as defined and determined under Section 4, subsection (e) of this Act, and shall be initially paid from the Veterans Trust Fund provided for in Section 2, subsection (d) of Republic Act Numbered Seventeen hundred and eighty-nine as amended, and from or out of earnings, dividends, or profits from the operations of the Veterans Bank; and for the payment of said subscription, all the available cash deposits with the Philippine National Bank and/or any other banks to the credit of the Veterans Trust Fund shall be transferred immediately to the Veterans Bank: *Provided*, That after the approval of this Act and notwithstanding the provisions of any existing law and/or executive orders, rules and regulations to the contrary, every and all additional cash payments on account of the said Veterans' Trust Fund shall be remitted and paid directly and exclusively to the said Veterans' Bank to be applied as additional paid-up payments of the aforesaid common shares subscription: *Provided, further*, That nothing shall be transferred to, or

received by, the said Veterans' Bank representing any portion of the proceeds of the aforesaid Veterans' Trust Fund except cash payments only of the peso equivalent thereof at the prevailing rate of exchange: *And provided, finally,* That within five years from the organization of the Bank all shares of stock equivalent to fifty-one per cent subscription of the capital stock held by the government of the Republic of the Philippines for and in behalf of the veterans, their widows, orphans or compulsory heirs shall be transferred to and in the name of the veterans who shall thereafter vote said common shares. The shares shall be divided equally among the veterans at the rate of one share of one hundred pesos for each veteran or fraction thereof. The balance of about forty-nine (49%) per cent shall be divided into preferred shares which shall be opened for subscription by any recognized veteran, widow, orphans or compulsory heirs of said veteran at the rate of one (1) preferred share per veteran: *Provided,* That in case of failure of any particular veteran to subscribe for any preferred share of stock so offered to him as herein provided, within thirty (30) days from the date of receipt of notice, said share of stock shall be available for subscription to other veterans in accordance with such rules or regulations as may be promulgated by the Board of Directors. Any share of stock corresponding to the capital stock subscribed and paid by the Republic of the Philippines in the manner aforementioned, shall be issued in the name of the Republic of the Philippines, in trust for the benefit of veterans, their widows, orphans or compulsory heirs as determined in this Act, and any share of stock subscribed and paid by individual veteran shall be issued in the name of the individual veteran, his widow, orphan or compulsory heir. The sale or transfer of a share of stock of a veteran, widow, orphan or compulsory heir of a veteran to a party not a veteran, widow, orphan or compulsory heir of a veteran shall not be allowed under any circumstances. Any share may be sold or transferred to the Bank which shall issue the same to the stockholders who are veterans, their widows, orphans or compulsory heirs: *Provided,* That no veteran, widow, orphan or compulsory heir shall be issued a total of more than twenty shares.

SEC. 4. *Determination of veterans entitled to benefit from this Act.—*

- a. The term "veteran or veterans" shall include any person or persons who served in the regularly constituted air, land, or naval services or arms, or in such non-regularly organized military units in the Philippines during World War II, and whose services with such units are duly recognized by the Republic of the Philippines or by the Government of the United States: *Provided,* That for the purposes of this Act, the term "veteran or veterans" also include the widow, orphan or a compulsory heir of a deceased veteran, as determined by existing laws;
- b. The term "organized or acknowledged veterans organizations" as used in this Act shall mean a veterans organization duly recognized or acknowledged as such by the Philippine Veterans Administration which shall keep an official roster of such veterans organization;
- c. On the basis of the acknowledged or duly established official records and data from the Treasury of the Philippines and any other record or evidence admissible under the rules of evidence, such as the records of the Philippine Veterans Administration and of the Armed Forces of the Philippines, the Philippine Veterans Administration shall determine immediately after the approval of this Act, who and how many are the veterans of the Philippines of

World War II and their widows, orphans or compulsory heirs as determined by existing laws who are entitled to the benefits of this Act. The decision of the Philippine Veterans Administration on the matter shall be final, unless appeal for review, within fifteen days from notice thereof, is made to the President of the Philippines or to the Supreme Court whose decision shall be final. The appeal shall be perfected in the same manner as in other proceedings and it may be prosecuted by the interested party or by the head of any acknowledged veterans organization;

- d. The reckoning day for determining the status and number of such veterans, their widows, orphans or compulsory heirs shall be the date of approval of this Act;
- e. The share of each beneficiary, war veteran or widow, orphan or compulsory heir of a deceased veteran, in the distribution of the benefits accruing to the Republic of the Philippines, will be equal regardless of rank and services rendered: *Provided*, That in the case of orphan or orphans of a deceased veteran, they shall be counted as one unit only and the share of all of them regardless of their number will be the same or equal to that of a surviving war veteran or surviving widow;
- f. Notice of the decision of the Philippine Veterans Administration on the question of who are entitled to participate in the benefits accruing to the Veterans Trust Fund shall immediately be served on the interested parties, either directly or thru the organization to which they belong in writing and by registered mail. In addition, the Philippine Veterans Administration shall publish for three consecutive weeks a notice in two newspapers of general circulation in the Philippines to the effect that the Philippine Veterans Administration has already completed its work of determining the number and the identity of those entitled to participate in the trust fund and advising party interested who has not received yet the notice of the decision served upon him that he may verify his inclusion or exclusion from the official register in the Philippine Veterans Administration. This Office shall keep a complete list and official register of those included and excluded from the enjoyment of the benefit, which list shall be available for inspection during office hours. The official registry book shall constitute an irrevocable public record, certified true copies of which may be released by the custodian of records for official purpose only.

BANKING OPERATION IN GENERAL

SEC. 5. *Loans, investments and liabilities.*—The Veterans Bank is hereby authorized:

- a. To grant loans for the establishment, rehabilitation, expansion or development of any agricultural, commercial, or industrial enterprise, or personal services including public utilities, under such rules and regulations as may be prescribed by the Board of Directors and that preference be given to applicants who are veterans;
- b. To make loans on, or to discount notes and/or receipts secured by, harvested and stored crops: *Provided*, That no loans on the security of such harvested and stored crops shall exceed eighty per cent of the market value thereof on the date of the loans: *Provided, further*, That the crops so mortgaged shall be insured by the mortgagor for the benefit of the Veterans Bank for their entire market value at the discretion of the Board of Directors: *Provided, furthermore*, That if owing to any circumstances the value of the crops given as security shall diminish, the mortgagor shall furnish the Veterans Bank with

additional security or refund such part of the loan as the Bank may deem necessary: *Provided, finally,* That such loans shall be granted for a period of not to exceed one year, subject to extension, in the discretion of the Board of directors;

- c. To make loans to agriculturists in installments, on landing crops of the natural products of the Philippines such as palay, copra, sugar, tobacco, corn, abaca and maguey, of not exceeding seventy per centum of the estimated value of such crops: *Provided, however,* That before granting such loans, the Veterans Bank may require additional security in the nature of mortgage on landed estate duly registered in the name of the debtor, or chattel mortgage including those upon livestock, machineries and agricultural implements or personal bonds with sufficient surety or sureties satisfactory to the bank;
- d. Generally, to make advances or discount paper for agricultural, manufacturing, industrial or commercial purposes: *Provided,* That loans, discounts, or advances made under this section shall have maturities of not exceeding one year, renewable from year to year, in the discretion of the Board of Directors:
- e. The aggregate amount of loans for any single industry shall at no time exceed twenty per cent of the Banks lending capacity;

The total liabilities to the Bank of any person, or of any company, corporation, or firm for money borrowed, including in the liabilities of the company or firm, the liabilities of the several members thereof, shall at no time exceed fifteen per centum of the unimpaired capital and surplus of the Bank. But the discount of bills of exchange drawn in good faith against actually existing values owned by the person negotiating the same shall not be considered as money borrowed, and in addition to the fifteen *per centum* of the unimpaired capital and surplus of the Bank, hereinbefore provided for the total liabilities of any borrower, may amount to a further fifteen *per centum* of the unimpaired capital and surplus of the Bank provided such additional liabilities are secured by shipping documents, warehouse receipts or other similar documents transferring or securing title covering readily marketable, nonperishable stocks, when such staples are fully covered by insurance and when such staples have a market value equal to at least one hundred twenty-five *per centum* of such additional liabilities.

The Bank shall not make any loan upon the security of the stock of any other corporation if the aggregate market value of all such stocks as collateral exceeds an amount equal to ten *per centum* of the unimpaired capital stock and surplus of the Bank. The term "loan" whenever used in this Act shall include overdrafts and the limitations contained in this section shall apply to any loan of any kind whenever secured wholly or partly by real estate mortgage.

BOARD OF DIRECTORS—COMPOSITION AND ORGANIZATION

SEC. 6. *Qualifications and per diems of the Board of Directors.*—

- a. Within the first five years from the organization of the Veterans Bank or until the transfer of the common shares of its capital stock to the veterans as provided in Section three of this Act, the affairs and business of the Veterans Bank shall be directed and its property managed, controlled and preserved, unless otherwise provided in this Act, by a Board of Directors consisting of eleven (11) members to be composed of three *ex-officio* members to wit: the Philippine Veterans Administrator, the President of the Veterans Federation of