

[REPUBLIC ACT NO. 1300, June 16, 1955]

AN ACT REVISING THE CHARTER OF THE PHILIPPINE NATIONAL BANK

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 National Bank. Its principal domicile and place of business shall be in the City of Manila.

CORPORATE POWERS

SEC. 2. *Corporate powers and duties.*—The said National Bank, upon its organization, shall be a body corporate- and shall have power:

- a. To prescribe its By-laws;
- b. To adopt and use a seal;
- c. To make contracts;
- d. To sue and be sued;
- e. To carry on a trust business in accordance with the provisions of law governing trust corporations;
- f. To exercise the powers granted in this Act and such accidental powers as may be necessary to carry on and in the business of general banking;
- g. To grant long-term loans and advances ga security of real estate and/or other acceptable assets f the establishment, rehabilitation or expansion of agricii tural, 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 sur plus, long-term indebtedness and obligations and thirty per cent of the total deposits: *Provided, further*, That notarial services in connection with loan application of not more than one thousand pesos shall be free, and in places where the bank has no lawyers, notarial services shall be performed by justices of the peace and other government notaries public free of charge;
- h. To invest in stocks, bonds, and other secured collaterals having maturities of not more than thirty years;
- i. 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 thereof. Said bonds shall be exempt from any and all taxes levied or assessed by the government or any of its subdivisions. The Board of Directors shall determine the interest rates, maturities and other requirements of said obligations;
- j. To exercise further, the general powers mentioned in the corporation law and the General Banking Law insofar as they are not inconsistent or incompatible with the provisions of this Act.

CAPITAL

SEC. 3. *Authorized capital stock—Par value.*—The authorized capital stock of the Philippine National Bank shall be two hundred million pesos divided into two million par value shares of one hundred pesos each, which shall include its present capitalization: *Provided*, That the Bank may purchase the shares held privately at a price not exceeding their par value: *Provided, further*, That the increase in the authorized capital shall be fully subscribed by the Government. For the immediate payment of not less than one hundred million pesos of the said subscription, the Secretary of Finance with the approval of the President of the Philippines, shall issue bonds or other evidences of indebtedness to be negotiated either locally or abroad, the proceeds of which are hereby appropriated for the purpose.

SEC. 4. *Who may vote Government-owned stock.*—The voting power of all the stock of the National Bank owned and controlled by the Republic of the Philippines shall be vested the President of the Philippines, or in such person or persons as he may from time to time designate.

BANKING OPERATIONS IN GENERAL

SEC. 5. *Loans and investments authorized—Total liabilities of a single borrower—Additional liabilities and security required.*—Said National Bank is hereby authorized:

- a. To purchase or discount promissory notes, drafts and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, with the securities required by the Bank, or the proceeds of which have been used or are to be used for such purposes.
- b. To make 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 per centum 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 National Bank for their entire market value: *And provided, finally*, That if, owing to any circumstance whatever, the value of the crops given as security shall diminish, the mortgagor shall obligate himself to furnish additional 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 make loans to agriculturists in installments, on standing crops of the natural products of the Philippines such as rice, hemp, copra, sugar, tobacco, corn, maguey, etc., not in excess of seventy *per centum* of the estimated value of such crops: *Provided, however*, That before granting such loans, the National Bank may 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 make loans to the several provincial 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 and municipal governments and any other branch or subdivision of the Government of the Philippines,

- e. 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 not exceeding one year, renewable from year to year, in the discretion of the Bank.

The aggregate amount of loan for any single industry shall at no time exceed twenty per cent of the Bank's 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 and the discount of commercial or business paper actually 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 it of any borrower may amount to a further fifteen *per centum* of the unimpaired capital and surplus of the provided such additional liabilities are secured by shipping documents, warehouse receipts or other similar documents transferring or securing title covering readily marketable, non-perishable 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 stock of any other corporation as collateral if the aggregate market value of all such stock held as collateral exceeds an amount equal to fifteen *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. *Board of Directors—Membership—Per diems.*— The affairs and business of the National Bank shall be directed and its property managed and preserved, unless otherwise provided in this Act, by a Board of Directors consisting of nine members duly elected as hereinafter provided, who shall be paid a *per diem* of thirty pesos for each session of the Board of Directors attended by them.

SEC. 7. *Election of Board of Directors—Election of chairman and vice-chairman of the Board—Who may not be elected member of the Board of Directors.*—Annually on the first Tuesday after the first Monday in March, the stockholders shall meet to elect the members of the Board of Directors for the current year, each stockholder or Proxy to be entitled to as many votes as he may have shares of stock, registered in his name on the thirty-first of January last preceding and held by him at the time of the election. Immediately after the election, the directorate shall organize as such and elect from amongst themselves a chairman and a vice-chairman, which latter shall assist the chairman and act in his stead in case of absence or incapacity. In case of incapacity or absence both the chairman and vice-chairman, the Board of Directors shall designate a temporary chairman from among its members: *Provided*, That no director, shareholder or employee of any other bank shall be eligible as

member of the Board of Directors of the Bank.

SEC. 8. *President and Vice-President—Appointment and removal—Salaries.*—The chief executive of the Bank shall be appointed by the President, who shall be chosen and may be removed by the Board of Directors with the advice and consent of the President of the Philippines. He shall be assisted by an executive Vice-President and one or more Vice-Presidents who shall be chosen and may be removed by the Board of Directors. The salaries of the President and the Vice-President shall be fixed by the Board of Directors with the approval of the President of the Philippines.

POWERS OF BOARD OF DIRECTORS

SEC. 9. The Board of Directors shall, among other duties, powers, and authority:

- a. Formulate policies necessary to carry out effectively the provisions of this Act and adopt such by-laws, rules and regulations for the effective operation of the Bank, in conformity with this Act and existing laws;
- b. Establish branches or agencies in other countries and at such points within the Philippines as it may deem advisable, which shall perform functions as may be delegated to them by the Board of Directors: *Provided, however,* That there shall be established branch banks or agencies in every provincial capital.

With the authorization of the proper department Secretary first had, the Board of Directors may appoint as agents of said Bank the provincial or municipal treasurers, who shall receive such additional compensation as the board may determine.

PRESIDENT—POWERS AND DUTIES

SEC. 10. *Duties and powers of the President.*—The President of the Bank shall among others execute and administer the policies, measures, orders and resolutions approved by the Board of Directors and direct and supervise the operations and administration of the Bank.

Particularly, he shall have the power and duty:

- a. To make loans on commercial paper for periods time not to exceed four months in sums not exceeding fifty thousand pesos to any one person, company, corporation or firm, but he is required to submit a report on such loan to the Board of Directors at its next succeeding session.
- b. To make, with the advice and consent of the Board of Directors, all contracts on behalf of the said Bank and to enter into all necessary obligations by this Act required or permitted.
- c. To report weekly to the Board of Directors the main facts concerning the operations of the Bank during the preceding week and to suggest changes in rates of discount, exchange, or of policy which may to him seem best.
- d. To furnish, upon request of the Secretary of Finance or the President of the Philippines, any information in his possession regarding the operations of said Bank.

LEGAL COUNSEL

SEC. 11. *Legal Counsel.*—Any provision of law or existing executive order to the contrary notwithstanding, the Philippine National Bank shall have its own legal department, the chief and members of which shall be appointed by the Board of