

[EXECUTIVE ORDER NO. 80, December 03, 1986]

**PROVIDING FOR THE 1986 REVISED CHARTER OF THE
PHILIPPINE NATIONAL BANK**

WHEREAS, it is the policy of the state that the national interest in both the maintenance of economic stability and the promotion of economic development is best served by a system of financial intermediation that places primary reliance on the private sector, on the market mechanism, and on the maintenance of conditions of compensation;

WHEREAS, within the context of the general policy there nevertheless exists a clear role for direct government participation in the banking system, particularly in servicing the requirements of agriculture, small and medium scale industry, export development, and the government sector;

WHEREAS, in pursuit of this national policy there is need to restructure the government financial institutions, particularly the Philippines National Bank, to achieve a more efficient and effective use of available scarce resources, to improve its viability, and to avoid unfair competition with the private sector; and

WHEREAS, the reorganization and rehabilitation of the Philippine National Bank into a smaller but stronger and more operationally viable bank is an important component of the nationalization programs for both the financial system and the government corporate sector;

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

SEC. 1. This Executive Order shall be known as the "The 1986 Revised Charter of the Philippine National Bank."

SEC.2. Name; Place of Business; Branches; Agencies and Other Offices. - The Philippine National Bank (hereinafter referred to as the "Bank"), a bank created under Act No. 2612, as amended, and operating under the provisions of Presidential Decree No. 694, as amended, shall henceforth operate under the provisions of this 1986 Revised Charter.

The Bank's principal office and place of business shall be in the National Capital Region, also known as Metro Manila. It may open and maintain other branches, agencies or other offices at such places in the Philippines or abroad as its Board of Directors may deem advisable, with the prior approval of the Monetary Board of the Central Bank of the Philippines.

SEC. 3. Corporate Powers and Purposes. -- The Bank shall be a body corporate and shall have the following powers and purposes:

(a) To perform commercial banking, as well as expanded commercial banking functions; and, within the context of a financially viable and stable banking institution, to provide banking services for the development of agriculture and small and medium scale commercial and industrial enterprises particularly in the in the countryside, as provided in Section 4; to provide banking services to the National Government, other government entities and local governments; and to engage in international banking activities, particularly in the promotion of exports;

(b) To accept foreign deposits and operate a foreign currency deposit unit as established under Republic Act No. 6426, as amended;

(c) To accept and administer trusts and to carry on a general trust business;

(d) To act as official government depository with authority to maintain deposits of the government, its branches, subdivisions and instrumentalities, and of government owned or controlled corporations, subject to the provisions of Section 6 hereof and such rules and regulations as the Monetary Board may prescribe; and

(e) To adopt, amend or change its By-laws; to adopt, alter and use a seal, to make contracts; to sue and be sued; and to exercise the general powers of a corporation as provided in the Corporation Code of the Philippines and the powers of a bank of its category under the General Banking Act.

The exercise of the above-mentioned powers on banking shall be subject to applicable law, as well as regulations promulgated by the Central Bank of the Philippines.

SEC. 4. Granting of Loans; Exposure Ceilings and Limits on Equity Investments. -- In the exercise of its lending authority, the Bank shall give preference to loans for agricultural and small-and medium-scale commercial and industrial enterprises, particularly in the countryside.

Unless otherwise provided in this Charter, loans and other credit accommodations granted by the Bank shall be subject to the appropriate applicable loan limits to any single borrower as provided for under Republic Act No. 337, as amended.

The aggregate amount of loans, guarantees and contingent accounts, to Government agencies and entities including government owned and controlled corporations shall at no time exceed the deposits and book value of the shareholdings of the Government, including government agencies and entities, government owned or controlled corporations plus twenty percent (20%) of such total.

The authority of the Bank to invest in equities of allied undertakings, financial or non-financial, as well as in non-allied undertakings, shall be governed by the provisions of Republic Act No. 337, as amended.

SEC. 5. Authorized Capital Stock; Par Value; Sale of Shares. -- The authorized

capital stock of the Bank shall be Ten Billion Pesos to be divided into One Hundred Million common shares with par value of P100 per share which are available for subscription by the National Government. The common shares may be offered for sale to or subscription by private; investors; Provided, That, the investment of private investors shall be subject to the applicable provisions of the General Banking Act.

The Board of Directors shall have authority to convert such number of unissued common voting shares into preferred non-voting shares to be issued for sale or subscription, with such features, terms, and restrictions as it may determine.

The issue and offering for sale of additional shares to private investors which will result in more than one-third of the common voting shares being eligible for acquisition by such investors shall require prior approval of the President of the Philippines; provided, that, where the sale of shares will result in a majority ownership by the private sector, the prior approval of the President shall also be required.

SEC. 6. Change in Ownership of the Majority of the Voting Equity of the Bank. -- When the ownership of the majority of the issued common voting shares passes to private investors, the stockholders shall cause the adoption and registration with the Securities and Exchange Commission of the appropriate Articles of Incorporation and revised by-laws within three (3) months from such transfer of ownership. Upon the issuance of the certificate of incorporation under the provisions of the Corporation Code, this Charter shall cease to have force and effect, and shall be deemed repealed. Any special privileges granted to the Bank such as the authority to act as official government depository, or restrictions imposed upon the Bank, shall be withdrawn, and the Bank shall thereafter be considered a privately organized bank subject to the laws and regulations generally applicable to private banks. The Bank shall likewise cease to be a government owned or controlled corporation subject to the coverage of service-wide agencies such as the Commission on Audit and the Civil Service Commission.

The fact of the change of the nature of the Bank from a government-owned and controlled financial institution to a privately-owned entity shall be given publicity.

SEC. 7. National Government Subscription. -- Upon the effectivity of this Charter, the National Government shall subscribe to Twenty-Five Million common shares of stock worth Two Billion Five Hundred Million Pesos which shall be deemed paid for by the Government with the net asset values of the Bank remaining after the transfer of assets and liabilities as provided in Section 29 hereof.

SEC. 8. Who may Vote Government-Owned Stock. -- The voting rights of all the stock of the Bank owned and controlled by the National Government shall be vested in the President of the Philippines, or in such person or persons as the President may from time to time designate.

SEC. 9. Board of Directors; Composition; Tenure; Per Diems. -- The affairs and business of the Bank shall be directed and its properties managed and preserved and its corporate powers exercised, unless otherwise provided in this Charter, by a Board of Directors consisting of nine members, duly elected as herein provided for a term of one year or until their successors are duly elected and qualified.

The Chairman of the Board shall be appointed by the President of the Philippines from among members of the Board: Provided, That the position of Chairman of the Board and President of the Bank shall not be held by the same person.

The Chairman shall preside at meetings of the Board and of the stockholders.

The President of the Bank shall be vice-chairman of the Board and, as such shall assist the chairman and act in his stead in case of absence or incapacity. In case of incapacity or absence of both the chairman and vice-chairman, the Board of Directors shall designate a temporary chairman from among its members.

Unless otherwise set by the Board and approved by the President of the Philippines, members of the Board shall be paid a per diem of one thousand pesos for each meeting of the Board of Directors actually attended: Provided, That the total amount of per diems for every single month shall not exceed the sum of Five Thousand Pesos.

SEC. 10. Election and Qualification of Members 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 will 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 multiplied by the number of directors to be elected. In the election of the members of the Board, stockholders shall have the right of cumulative voting as recognized by law.

No person shall be elected director of the Bank unless he is a natural-born citizen of the Philippines, not less than thirty-five years of age, of good moral character and has attained proficiency, expertise and recognized competence in one or more of the following: banking, finance, economics, law, agriculture, business management, public utility or government administration.

At least four of the elective members of the Board shall not concurrently hold appointive or elective positions in the National Government, any government-owned or controlled corporation, or in any local government.

No director, officer or employee of any other bank shall be eligible as a member of the Board of Directors of the Bank.

SEC. 11. Powers of the Board of Directors. -- The Board of Directors shall have, among others, the following duties, powers and authority:

(a) To formulate policies necessary to carry out effectively the provisions of this Charter;

(b) To adopt, amend or change the by-laws as well as such rules and regulations as may be necessary for the effective operation of the Bank, in conformity with this Charter and existing laws;

(c) To prescribe such terms and conditions to govern the granting of loans and credits, consistent with the provisions of this Charter;

(d) To adopt an annual budget for the effective operation and administration of the Bank;

(e) To create, establish and operate a "Self-Insurance System" in order to effect possible damage or loss of cash-in-transit that the Bank may suffer on account of cash and check remittances to its branches and agencies and vice-versa, as well as those that may arise from irregular encashment or negotiation of checks, drafts, telegraphic transfers and similar instruments, or losses arising from other forms of fraud;

(f) To create and establish a Provident Fund which shall consist of contributions made both by the Bank and its officers or employees to a common fund for the payment of benefits to such officer or employee or his heirs under such terms and conditions as the Board of Directors may fix;

(g) To compromise or release, in whole or in part, any claim, liability, or demand for or against the Bank, regardless of the amount involved, under such terms and conditions as it may impose to protect the interests of the Bank.

(h) To determine the procedure and requirements for the acquisition of properties necessary for the business of the Bank and

(i) To dispose of properties of the Bank, whether used in the conduct of its business or acquired as a result of its banking operations, by public bidding or private negotiations as provided in Sec. 21 of this Charter.

The Board shall meet as frequently as necessary and the presence of five members shall constitute a quorum.

SEC. 12. President of the Bank. - The Chief Executive Officer of the Bank shall be the President who shall be elected by the Board of Directors from among themselves with the advise and consent of the President of the Philippines. No person shall be appointed President of the Bank unless he is at least forty years of age, of good moral character and reputation, with at least ten years previous experience in banking, and has a reputed proficiency, expertise and recognized competence in banking or financial management.

The President of the Bank shall, among other powers and duties, execute and administer the policies, measures, order 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 execute all contracts and to enter into all authorized transactions in behalf of the Bank;

(b) To exercise, as Chief Executive Officer, the power of supervision and control over decisions or actions of subordinate officers and all other powers that may be granted by the Board.